Austria ... Sch 20	Indonesia ... Rp 3100	Philippines ... Pes 20
Bahrain ... Din 0.950	Israel ... IS 3.50	Portugal ... Esc 100
Belgium ... BFr 45	Italy ... L 1600	S. Arabia ... Rls 6.00
Canada ... C$1.00	Japan ... Y 600	Singapore ... S$4.10
Cyprus ... C£0.75	Jordan ... Fils 500	Spain ... Pta 125
Denmark ... DKr 9.00	Kuwait ... Fils 500	Sri Lanka ... Rup 30
Egypt ... E£T 50	Lebanon ... £L 50.00	Sweden ... SKr 8.00
Finland ... Fmk 7.00	Luxembourg ... LFr 45	Switzerland ... SFr 2.20
France ... FFr 8.50	Malaysia ... Rm 4.25	Taiwan ... NT $35
Germany ... DM 2.20	Mexico ... Pes. 300	Tunisia ... Din 0.800
Greece ... Dr 80	Morocco ... Dh 6.00	Turkey ... L 350
Hong Kong ... HK$ 12	Netherlands ... Fl 3.00	U.A.E. ... Dh 6.50
India ... Rup. 15	Norway ... Nkr. 7.00	U.S.A ... $1.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,167 — Monday February 23 1987 — D 8523 B

Mao's words return with a lesson, Page 3

Syrian forces enter Beirut in peace bid

SYRIAN troops, backed by columns of tanks, entered West Beirut in a decisive move by Damascus to assert its authority on war-ravaged Lebanon and bring to an end the war of the militias.

The US, in a notably muted response, said external forces could not restore order in Lebanon. Israel said it would react after watching the situation.

The Palestine Liberation Organisation, which has been attempting to reassert its military presence in Lebanon, vigorously condemned the Syrian move.

Syrian military authorities ordered all militias to get off the streets and release their hostages Page 16

US 'will pay full UN share'

The US is to resume paying its full contribution to the cost of the United Nations as a result of reforms undertaken by the organisation, according to the American ambassador to the UN, General Vernon Walters.

General Walters said the Reagan Administration will request from Congress the full $209m the US is assessed to contribute. He said the US will also arrange to pay off the debt for the contribution not paid last year. Page 4

Israeli blast

The Palestine Liberation Organisation claimed responsibility for a bomb attack beside Jerusalem's Damascus Gate in which police said 17 people were injured, 12 of them border policemen. The PLO claimed between seven and 10 Israelis were killed.

Soviet test alert

US scientists, in the Soviet Union to monitor nuclear testing, said they were told to turn off their seismic equipment, which they said Soviet colleagues told them is normal procedure prior to a nuclear test. The Soviet Union has observed an 18-month unilateral test freeze.

Afghan peace bid

Pakistani Foreign Minister Sahabzada Yaqub Khan arrived in Moscow for talks with his Soviet counterpart Eduard Shevardnadze which he said will focus on a timetable for the withdrawal of Soviet troops from Afghanistan.

Reporter held

Police in the South African tribal homeland of Transkei said they had detained Agence France Presse journalist Graham Brown, 39, but gave no details of charges.

Airbus trials start

The first prototype of the European consortium-built Airbus A320 airliner took off from Toulouse airport to complete a successful first three-hour test flight.

Swedish party vote

Mr Olof Johansson was elected leader of the Swedish Centre Party after having held the post provisionally since Mrs Karin Soder resigned the post in January for health reasons.

Oil price talks

The oil ministers of Saudi Arabia, Kuwait, the United Arab Emirates and Qatar, which produce about 40 per cent of Opec's oil, met in Doha to discuss ways of propping up the oil price without further output cuts.

Mozambique raid

The Mozambique newsagency said anti-government rebels killed at least 50 people in a raid on five tea-processing factories in the northern province of Zambezia.

Blow to Botha

Two leading South African academics at Stellenbosch University resigned from the ruling National Party saying that they did not think its leaders were serious about reforming apartheid. Page 3

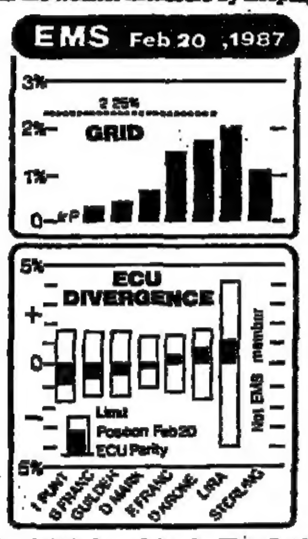
Andy Warhol dies

Andy Warhol, the pop artist, died in his sleep of a heart attack at New York Hospital after having been admitted on Friday for gall bladder surgery. He was 58. Obituary, Page 13

NatWest set for £1bn profit

NATIONAL WESTMINSTER Bank, largest UK clearing bank, is expected to set a new record by becoming the first British bank to make profits of more than £1bn before tax when it announces its results tomorrow. Page 5

EUROPEAN Monetary System: Most currencies were a little firmer in the EMS last week. Once again attention focused on the performance of the dollar with the latter underpinned by news of the weekend's meeting of G7 finance ministers. This helped to keep pressure off the weaker members by keeping



the D-Mark subdued. The Irish punt remained the weakest currency but was well within its divergence limit and seemed to show little reaction to the change of Government in Dublin, finishing the week at 43 per cent of its maximum divergence spread compared with 41 per cent the previous week.

The chart shows the two constraints on European Monetary System exchange rates. The upper grid, based on the weakest currency in the system, defines the cross rates from which no currency (except the lira) may move more than 2¼ per cent. The lower chart gives each currency's divergence from its "central rate" against the European Currency Unit (ECU), itself a basket of European currencies.

FERMENTA, troubled Swedish chemicals and antibiotics company, announced further changes in senior management at the weekend. The chairman and vicechairman are to leave the board. Page 17

SPANISH banks have provided Fuerzas Electricas de Cataluna (Fecsa), financially troubled electricity utility, with Pta 24bn ($186.7m) to help it overcome its debt crisis. Page 17

HOECHST, West German chemical company, has been given US Federal Trade Commission permission to buy Celanese, US chemicals group, for $2.85bn. Page 18

AUSTRALIAN entrepeneur Alan Bond increased his shareholding in Hong Kong's leading television company HK-TVB by 3 per cent to 26.7 per cent with the HK$176.4m ($22.9m) purchase of 12.8m shares. Page 18

PANAVIA, the British, West Germany and Italian consortium which builds the Tornado fighter-bomber is competing to sell 160 of the aircraft to South Korea in a deal potentially worth $3bn. Page 4.

MEXICO expects the $7.7bn new credit agreed with its creditors last September to be signed on March 15, despite market anxiety over Brazil's debt repayments. Page 4.

HONGKONG DRAGON Airlines, 21-month-old aviation group, attacked the government's "protectionist" aviation policy and said it undermined the territory's laissez-faire reputation.

The Seven

US: Baker — UK: Lawson — Germany: Stoltenberg — Japan: Miyazawa — France: Balladur — Canada: Wilson — Italy: Goria

Paris accord seeks stability

BY PHILIP STEPHENS AND GEORGE GRAHAM IN PARIS

LEADING Western industrial nations yesterday agreed to seek to stabilise exchange rates at around current levels and suggested that they would intervene jointly in currency markets to prevent a renewed slide in the dollar's value.

The accord, endorsed by the US, Japan, West Germany, France, Britain and Canada at the weekend talks in Paris, was reinforced by a series of specific commitments from each nation to strengthen economic policy co-ordination.

In particular, the US, Japan and West Germany agreed to settle – for the time being at least – the sharp differences over economic and exchange rate policies which have contributed to the recent turmoil on foreign exchange markets.

West Germany and Japan pledged new measures to boost the growth rates of their economies, while the US reaffirmed its determination to reduce its budget deficit.

The aim is to gradually reduce the substantial US trade deficit and the parallel surpluses in Japan and West Germany, without a further major depreciation in the dollar's value.

The accord was marred by Italy's refusal to participate in the meeting yesterday after it emerged that the key details had been worked out on Saturday by the finance ministers of the Group of Five. Neither Italy nor Canada participate in meetings of the Five.

Ministers and central bankers at the talks, however, claimed a substantial achievement in resolving many of the policy differences which have soured relations between them in recent months.

Mr Edouard Balladur, the French Finance Minister and host at the gathering, appeared delighted with the results. "We are not at the end of the road. Not everything is rebuilt. But we are on the right track," he said. Mr James Baker, the US Treasury Secretary, said that the efforts represented another step forward in achieving closer and more effective co-operation. "These measures, and the continued co-operation of us all, will foster greater stability of exchange rates around current levels."

Mr Baker appears to have agreed that in return for the West German and Japanese agreements to promote faster growth in their economies, the US Administration will stop talking the dollar down.

The Bonn and Tokyo governments expressed clear satisfaction with the accord, although they acknowledged that the commitment to hold exchange rates at current levels was not open ended.

Mr Kiichi Miyazawa, Japan's Finance Minister, said that the agreement could be seen as the second stage of co-operation which began with the so-called Plaza agreement in September 1985. Then governments had agreed to act in order to push down the value of the dollar, now they agreed to stabilise it.

This communiqué released at the end of the talks said that exchange rate changes since the Plaza accord had brought currency values "within ranges broadly consistent with underlying economic fundamentals." It added that ministers agreed further substantial exchange rate shifts among the currencies could damage growth and adjustment prospects in their countries. In current circumstances, therefore, they agreed to co-operate closely to foster stability of exchange rates around current levels.

The ministers made it clear, however, that they had not set firm targets or reference zones for their currencies. Mr Nigel Lawson, Britain's Chancellor of the Exchequer, said that there was a private consensus on the circumstances under which they would intervene in the markets, but no move to abandon the system of floating exchange rates. "This is a practical agreement that a period of stability is desirable," he said, adding that such a consensus was not necessarily "eternal."

Senior British officials said that the accord was significant because of a shift in the US view on the dollar, involving a commitment to intervene in foreign exchange mar-

Continued on Page 16

Italians threaten to cancel June summit

BY JOHN WYLES IN ROME AND GEORGE GRAHAM IN PARIS

THE ITALIAN Government warned yesterday that it might cancel this year's World Economic Summit in Venice following its exclusion, along with Canada, from Saturday's monetary talks among the Group of Five finance ministers from the leading Western industrialised countries

Mr Giovanni Goria, the Italian Treasury Minister, pulled out of yesterday's planned Group of Seven talks in Paris in protest at being excluded from a dinner organised on Saturday by Mr Edouard Balladur, the French Finance Minister.

The Group of Five (G5), established in the early 1970s as a largely informal group, consists of the five countries whose currencies make up the Special Drawing Rights (SDR) and was intended to help governments co-ordinate economic policy, following the breakdown of the Bretton Woods agreement.

The Group of Seven, a much more formal grouping, dates from the decision to hold annual World Economic summits and includes the G5 members, Italy and Canada.

Believing that the dinner was a clear breach of last year's Tokyo summit agreement covering Italian and Canadian participation in such talks, Mr Bettino Craxi, the Italian Prime Minister, yesterday demanded "clarification" of the Tokyo understanding.

"Without such a clarification it is evident that the summit in Venice cannot take place in the form and at the time envisaged," said a thunderous note put out by the Prime Minister's office in the early afternoon.

This declaration implies that Rome may not be satisfied by anything less than confirmation of its interpretation of the Tokyo agreement and an apology by the Five for ignoring it. Certainly, government officials were stressing yesterday that Italy could not be expected to host a summit in June except as a full member of the club.

Mr Craxi's wrath has been stirred by the evident failure of his own personal diplomacy and the subsequent damage he might suffer during a highly volatile phase in Italian domestic politics.

It was the Prime Minister's strenuous lobbying in alliance with Canada which persuaded the other five heads of government from the US, West Germany, France, the UK and Japan to agree in Tokyo to "request the Group of Five finance ministers to include Canada and Italy in their

Continued on Page 16

Details and analysis, Page 2;
Editorial comment, Page 14

Brazil moves to allay debt fears

BY IVO DAWNAY IN RIO DE JANEIRO

THE BRAZILIAN Government was yesterday attempting to allay fears that its decision on Friday to suspend interest payments on medium and long-term foreign debt would provoke a confrontation with its commercial bank creditors.

In meetings with overseas bankers and journalists, officials emphasised that the move was aimed only at preserving the country's $3.9bn foreign exchange reserves until a "just" resolution of the rescheduling talks, which are now imminent.

Finance ministers of the leading industrial nations meeting in Paris yesterday sought to minimise the immediate threats posed by Brazil's action. Ministers said the Brazilian move – temporarily suspending debt repayments – did not yet threaten the solvency of US banks, and they envisaged no immediate need for action. The onus, US officials said, was on the commercial banks to settle the matter directly with Brazil.

However, several bankers left a meeting with Mr Francisco Gros, the central bank president, on Saturday convinced that the unilateral and indefinite suspension would inevitably sour the climate of the negotiation.

The decision would make forthcoming debt rescheduling talks with commercial creditor banks "very much more difficult," one banker said.

Bankers have also noted clear signs of alarm in Brasilia over possible retaliation by creditors. Mr Aureliano Chaves, the Mines and Energy Minister, revealed that last week he ordered Brazilian oil tank-

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Brazil puts bankers in debt dilemma, Page 4; Mexico expects $7.7bn loan, Page 4

French seize Action Directe terrorists

By David Housego in Paris

THE FRENCH Government scored its first major success against international terrorism over the weekend when police arrested four leaders of Action Directe, the group responsible for the killing in November of Mr Georges Besse, the former head of Renault.

The arrests came on the eve of the trial of Georges Ibrahim Abdullah, the Lebanese terrorist leader who goes before a special tribunal in Paris today accused of complicity in attacks on American and Israeli diplomats in France. Action Directe had threatened to kill magistrates taking part in the case. It is suspected to have provided support for terrorists attempting to secure the release of Mr Abdullah through bomb explosions in Paris in September that cost 11 lives.

Police made their swoop on the isolated farm house near Orleans in central France, where Action Directe leaders were hiding, on Saturday night. They found papers taken from Mr Besse's briefcase as well as an assault rifle, 30 kilos of explosives, and sophisticated bugging devices.

They also found a room which had been prepared to house a potential prisoner seized in a kidnapping. Jean-Marc Rouillan, 34, the recognised head of the group and one of the four seized, is believed to have told the police that they had planned a kidnapping to secure the release of Regis Schleicher, 29, another Action Directe leader now in prison.

Other incriminating evidence included lists of prominent French personalities whom apparently the group wished to seize or kill.

Among the other three people arrested were Nathalie Menigon and Joelle Aubron, two women whose photographs have been prominently displayed on posters throughout France as wanted in connection with the murder of Mr Besse.

Action Directe has been responsible for about 80 terrorist attacks over the last seven years of which most have been against offices and public buildings. But since January 1985 when the group formally linked up with the West German Red Army Faction, it has focused its attacks more on personalities seen as symbolic of Western "imperialism" or "capitalism."

Reagan's political leadership comes under further strain

BY STEWART FLEMING, US EDITOR, IN WASHINGTON

PRESIDENT Ronald Reagan's ability to halt the steady erosion in his capacity to provide effective political leadership will be tested again this week with the expected publication of a damaging presidential report into the Iran arms scandal.

He also faces the probable resignation of Mr Donald Regan, the White House Chief of Staff, who has been feuding with Mrs Nancy Reagan, the President's wife.

White House officials have already conceded that the report of the Tower Commission appointed by Mr Reagan in November last year to look into the operations of the National Security Council in the wake of the Iran arms dealings, will be highly critical of the NSC. There is also widespread speculation in Washington that, although the Commission's fiercest criticism will be levelled at former National Security Adviser Admiral John Poindexter and his assitant Lt Col Oliver North, others, including Mr Regan, will be singled out for blame.

If this proves to be the case Mr Regan, who is widely perceived to have failed the President and the country by clinging to his office in the face of pleas from all sides to quit, will find it impossible to stay.

The Washington Post, which reported last week that Mr Regan and the president's wife were not on speaking terms, said that Mr Regan appears to have lost his long struggle to keep his job. It quoted unnamed sources as saying that the Chief of Staff was "hanging by his fingernails."

Mr Reagan's political prestige has been eroded by his apparent inability to act decisively to resolve the White House conflicts. In addition there have been damaging new allegations about the Iran/Contra arms scandal and revelations about the efforts of inexperienced White House officials to shape US foreign policy through covert operations, often in the face of opposition from senior officials such as Mr Caspar Weinberger, the Defence Secretary, and Mr George Shultz, Secretary of State.

Last week the White House did not deny allegations that officials had tried to cover up the extent of Mr Reagan's involvement in the decision-making process leading up to the Iran arms deal, saying only that the President was not aware of any attempt to cover up.

Senator Robert Byrd, the Democratic majority leader in the Senate on Saturday bluntly accused White House officials, who he did not name, of lying. "I think there has been a great deal of lying and cover up," he said. There were also reports that Mr Reagan had altered significantly his initial testimony to the Tower Commission on the background to the affair.

Yesterday Mr Seymour Hersh of the New York Times reported that the real objective of the air strike against Libya last year was not the stated objective of striking at guerrilla and military facilities, but an effort to assassinate Col Muammar Gadaffi, the Libyan leader.

Separately the Washington Post reported yesterday that Lt Col North, the White House official fired in November for his part in the Iran arms dealings and the alleged transfer of profits from the arms sales to the Contra rebels in Nicaragua, sought to destroy documents and internal messages just before Justice Department officials launched the investigation which the department said uncovered the diversion of funds.

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THE PARIS MEETING

Consensus rests on players carrying out their pledges

BY PHILIP STEPHENS IN PARIS

THE FRENCH are already dubbing it the Louvre or Paris accord, hoping it will supplant September 1985's Plaza agreement in the folklore of the foreign exchange markets.

In the event, the final act was marred by the walk-out of the Italian delegation. But the carefully-orchestrated theatre at the French Finance Ministry was clearly designed to reinforce the impression that this was as momentous an occasion as that at New York's Plaza Hotel.

Finance Ministers gathered again to smile for the cameras as they presented a communique that was deliberately drafted in the style of the original accord. As at the Plaza, each gave a commitment on the role its Government would play in fostering sustained economic growth and restoring calm to the foreign exchange markets.

Mr Nigel Lawson, Britain's Chancellor, was moved to call the latest deal the "linear descendent" of the Plaza. Mr James Baker, US Treasury Secretary, the architect of that deal, expressed himself "very pleased" with its successor, though shied away from calling it Plaza 2.

The only superficial difference was that on this occasion Canada joined the original five — the US, Japan, West Germany, Britain and France. Italy's pledge of co-operation was hastily deleted from the penultimate draft of the communique.

The similarities with September 1985 were to a considerable extent contrived. Then the Finance Ministers launched their plan to drive down the dollar on an unsuspecting world after weeks of quiet and secret negotiations between senior officials.

Yesterday's accord followed months of frequently public bickering over the appropriate rate for the US currency between those same countries after the almost complete breakdown of the Plaza consensus last autumn. As late as Friday night, some participants were uncertain that a substantive deal could be clinched.

Against that background, the outcome was better than most ministers had hoped for. Mr Lawson, who was accused by other governments of being obstructive in the preparations for the meeting, could justly claim that his insistence on thorough preparation had paid off.

Pragmatic

As one wey player put it: "I think we have a pretty good agreement. It is pragmatic and flexible but much better than I expected. It will work I hope for the time being, though not perhaps for eternity."

"Work" in that context means that it may persuade the foreign exchange markets to stop pushing down the value of the dollar.

The essence of the accord is that Mr Baker will refrain—for the time being at least—from talking down the value of the US currency. At the same time he will redouble his efforts to persuade the US Congress to cut the US budget deficit.

In return, West Germany and Japan have promised more to stimulate their economies—the Bonn government by adding to the tax cuts already scheduled for early next year, and the Japanese by pushing through their present budget and preparing a further programme to stimulate domestic demand.

Assuming that the policy commitments are met, the communique says, then exchange rates are now in ranges "broadly consistent with underlying economic fundamentals." Central banks will therefore co-operate to foster stability at around current levels.

For the medium term, governments are pledged to further develop performance indicators for the key areas of their economies, which will act as guidelines for policy. The indicators, first mooted at last year's Tokyo summit, cover, in particular, growth, inflation, current account and trade balances, budget performance, monetary conditions and exchange rates.

The consensus behind the communique is founded on a common diagnosis of the action needed to bring down the US current account deficit to manageable levels and to reduce the parallel surpluses in Japan and West Germany.

To tackle that imbalance, and the major threat of protectionism it poses, domestic demand in the US will have to grow less fast than its economy as a whole. In Japan and West Germany the reverse will be needed.

There is also a common acknowledgment that the key instrument in achieving this is now fiscal policy.

Interest rates in West Germany and Japan are now—in nominal terms at least—close to or only fractionally above historic lows, suggesting little if any further room for manoeuvre.

For his part Mr Baker has made it clear that he is not prepared to try to close the trade gap by raising interest rates and driving the US economy into recession.

The medium-term prescription then is a tightening of fiscal policy in the US, accompanied by a parallel relaxation in the surplus countries.

It is less than obvious how evenly the medicine will be shared. Despite the more confident and cordial mood displayed by finance ministers yesterday Mr Baker was complementary about the Bonn government, Mr Lawson about the Japanese—the accord is far from watertight.

Mr Edouard Balladur, the French Finance Minister, though delighted with the progress of the talks, said as much: "We are not at the end of the road. Not everything is rebuilt. But we are on the right track."

The communique itself also suggests that the consensus on stabilising exchange rates is not necessarily permanent, but dependent on each of the players carrying out its pledges. In other words, Mr Baker might feel able to withdraw his support if there is not concrete evidence of faster growth in Japan and West Germany.

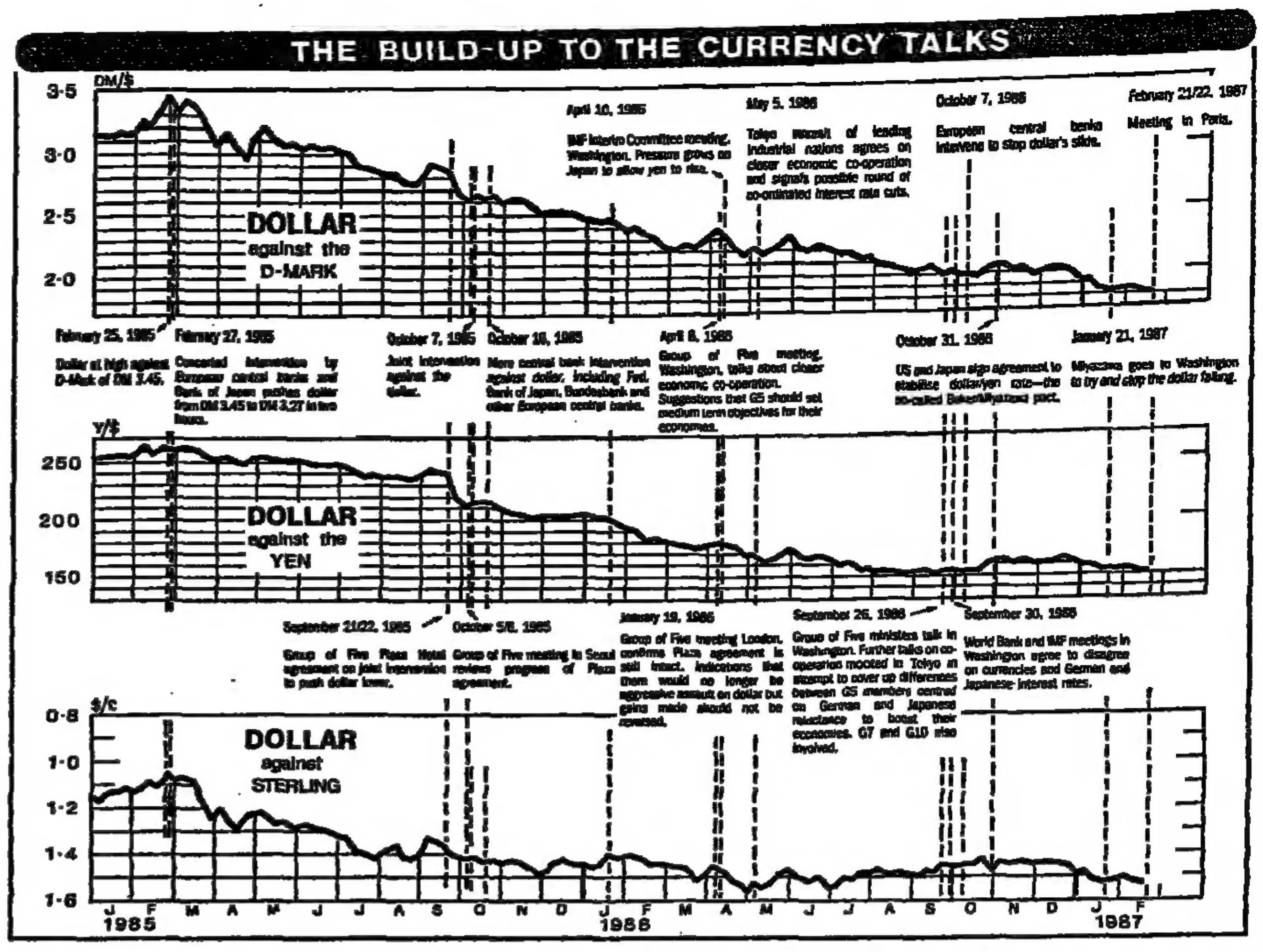
The commitment on intervention is also not wholly transparent. Mr Lawson said that there was a clear, if private, understanding between governments on when they would intervene. Asked if that included the US he replied: "Of course."

Mr Baker, however, was less forthcoming: "We never comment about intervention," he said. Senior officials at the talks acknowledged that Mr Baker had left himself an opening to begin talking the dollar down against if his counterparts do not deliver on their promises.

The ministers have thus held back from establishing permanent or even semi-permanent "reference zones" for their currencies. "This is not a different system, this is a practical agreement that a period of stability is desirable," Mr Lawson commented.

How long that period of stability lasts is likely to depend on whether the West German and Japanese economies do begin to show signs of reviving over coming months.

Without such indications the markets may soon want to test the strength of this weekend's accord—and whether the US is really prepared to seek to hold up its currency while it is running a current deficit of over $120bn.



Reduction of large trade imbalances to be given high priority

THE communique issued after the meeting yesterday read as follows: Ministers of Finance and Central Bank Governors of six major industrialised countries met in Paris to conduct multilateral surveillance of their economies in the framework of the Tokyo Economic Declaration of May 6 1986 pursuant to which the group of seven Finance Ministers was formed. The ministers and governors, using a range of economic indicators, reviewed current economic developments and prospects. The managing director of the IMF participated in the discussions.

The ministers and governors were of the view that further progress had been made since the Tokyo summit in their efforts to achieve a sustainable, non-inflationary expansion. Their national economies are now in the fifth year of expansion, and the prospects are for continued growth this year, although the level of unemployment remains unacceptably high in some countries. A high degree of price stability has been attained, and there have been substantial reductions in interest rates. Exchange rate adjustments have occurred which will contribute importantly in the period ahead to the restoration of a more sustainable pattern of current accounts.

Progress is being made in reducing budget deficits in deficit countries, and fundamental tax reforms are being introduced to improve incentives, increase the efficiency of economies, and enhance the prospects of higher growth. Other important structural reforms are also being carried forward, including deregulation of business to increase efficiency and privatisation of government enterprises to strengthen reliance on private entrepreneurs and market forces.

These positive developments notwithstanding, the ministers and governors recognise that the large trade and current account imbalances of some countries pose serious economic and political risks. They agreed that the reduction of the large unsustainable trade imbalances is a matter of high priority, and that the achievement of more balanced global growth should play a central role in bringing about such a reduction.

The ministers and governors reaffirmed their concern over continuing pressures for protectionism. They agreed that efforts to deal with economic problems by erecting trade barriers were self-defeating and pledged to intensify their efforts to resist protectionism and reaffirmed their strong support for the new round of trade negotiations. They welcomed the progress made in the preparatory work for the new Gatt round and the recent positive conclusions of discussions between the US and the European Community on bilateral trade issues.

The ministers and governors recognised that the major industrial countries have a special responsibility to follow policies which foster an open, growing world economy in order to support the efforts of developing countries, especially debtor countries, to restore steady growth and viable balance of payments positions. They noted that the progress achieved by many debtor countries toward these ends have not solved all the problems and stressed the importance of all participants in the strengthened debt strategy reinforcing their co-operative efforts.

The ministers and governors agreed to intensify their economic policy co-ordination efforts in order to promote more balanced global growth and to reduce existing imbalances. Surplus countries committed themselves to follow policies designed to strengthen domestic demand and to reduce their external surpluses while maintaining price stability. Deficit countries committed themselves to follow policies designed to encourage steady, low-inflation growth while reducing their domestic imbalances and external deficits.

To this end, each country has agreed to the following undertakings.

The Government of Canada's policy is designed to sustain the current economic expansion through its fifth year and beyond. In the budget for 1987-88, the Government has cut the fiscal deficit for the third successive year and remains committed to further progressive reduction. It will continue with its policies of regulatory reform, privatisation and liberalisation of domestic markets. It will vigorously pursue trade liberalisation bilaterally with the United States and multilaterally within the Uruguay round. Monetary policies will continue to aim at the reduction of inflation and be consistent with orderly exchange markets.

The Government of France will reduce the central government budget deficit by 1 per cent of GNP from 1986 to 1988 and in the same period will implement a tax cut programme of the same order of magnitude (1 per cent of GNP) with substantial tax rate cuts for corporations and individuals. It will pursue in 1987 its privatisation programme (with a projected $6bn to $7bn sale of assets) and reinforce the liberalisation of the French economy, especially of labour and financial markets.

The Government of Germany will pursue policies to diminish further the share of public expenditures in the economy and to reduce the tax burden for individuals and corporations with a comprehensive tax reform aimed at reinforcing the incentives for private sector activity and investment. In addition, the Government will propose to increase the size of the tax reductions already enacted for 1988. The Federal Government will emphasise policies that enhance market forces in order to foster structural adjustment and innovation. Short-term interest rates, although already at a very low level in international comparison, have further dropped substantially during the last few weeks. Monetary policy will be directed at improving the conditions for sustained economic growth while maintaining price stability.

The government of Japan will follow monetary and fiscal policies which will help to expand domestic demand and thereby contribute to reducing the external surplus. The comprehensive tax reform, now before the Diet, will give additional stimulus to the vitality of the Japanese economy. Every effort will be made to get the 1987 budget approved by the Diet so that its early implementation be ensured. A comprehensive economic programme will be prepared after the approval of the 1987 budge by the Diet, so as to stimulate domestic demand, with the prevailing economic situation duly taken into account. The Bank of Japan announced that it will reduce its discount rate by ½ per cent on February 23.

The United Kingdom Government will maintain conditions for continuing the steady growth of GDP of the past five years and will continue to work to reduce inflation by following a prudent monetary policy On external account the aim will be broad balance over the medium term. The share of public expenditure in the economy will continue to fall and the burden of taxation will be reduced, while public sector borrowing is maintained at low level. These and other measures to strengthen the supply performance of the economy, such as the privatisation programme, will reinforce improvement over recent years in the growth of productivity.

The United States Government will pursue policies with a view to reducing the fiscal 1988 deficit to 2.3 per cent of GNP from its estimated level of 3.9 per cent in fiscal 1987. For this purpose, the growth in government expenditures will be held to less than 1 per cent in fiscal 1988 as part of the continuing programme to reduce the share of government in GNP from its current level of 23 per cent. The United States will introduce a wide range of policies to improve its competitiveness and to enhance the strength and flexibility of its economy. Monetary policy will be consistent with economic expansion at a sustainable non-inflationary pace.

The ministers and governors noted that a number of newly industrialised economies were playing an increasingly important role in world trade. These economies have achieved strong growth based significantly on their access to open, growing export markets. Recently some have accumulated trade surpluses which have contributed importantly to the present unsustainable pattern of global imbalances, thus increasing protectionist pressures. The ministers and governors considered that it is important that the newly industrialised developing economies should assume greater responsibility for preserving an open world trading system by reducing the barriers and pursuing policies that allow their currencies to reflect more fully underlying economic fundamentals.

The ministers and governers also agreed to additional refinements in the use of economic indicators for the multilateral surveillance arrangements approved in the Tokyo Economic Declaration. As part of these refinements, they will:

- Periodically review medium-term economic objectives and projections involving domestic and external variables. The medium-term objectives and projections are to be mutually consistent and will serve as a basis for assessing national policies and performance;
- Regularly examine, using performance indicators, whether current economic developments and trends are consistent with the medium-term objectives and projections and consider the need for remedial action.

Initially, the objectives and projections will involve the following key variables: growth, inflation, current accounts/trade balances, budget performance, monetary conditions and exchange rates.

The ministers and governors agreed that the substantial exchange rate changes since the Plaza Agreement will increasingly contribute to reducing external imbalances and have now brought their currencies within ranges broadly consistent with underlying economic fundamentals, given the policy commitments summarised in this statement. Further substantial exchange rate shifts among their currencies could damage growth and adjustment prospects in their countries. In current circumstances, therefore, they agreed to co-operate closely to foster stability of exchange rates around current levels.

Lawson hints at interest rate cut

By Philip Stephens

MR NIGEL LAWSON, the Chancellor, yesterday gave a broad hint that he would be ready to cut Britain's interest rates if the pound rose strongly

Speaking in Paris after this weekend's meetings of Finance Ministers and central bankers of leading industrial countries, Mr Lawson said that he hoped that their agreement would contribute to a period of stability for the pound.

The Chancellor said that he did not think that the agreement reached between major industrial countries would have a direct impact on the prospects for British interest rates.

Mr Lawson added, however, that while he had made it clear for several months that he did not want sterling to fall further from present levels "by the same tol‹n I have no wish to see a substantial rise."

His comment marks the first specific acknowledgment that the British Government has set a ceiling as well as a floor for fluctuations in the pound's value. They imply that Mr Lawson is anxious to preserve the competitive gains which flowed from last week's sharp depreciation in the pound's value, if necessary by lowering borrowing costs.

There has been mounting speculation in financial markets that a large undershoot in this year's public borrowing — and the prospect of a reduction of next year's target — will soon allow interest rates to fall.

Last week the London money markets were signalling an immediate half-point reduction in rates from their present 11 per cent, but the Bank of England indicated that for the time being at least it is adopting a cautious stance.

The consensus among City economists is that Mr Lawson would like a one-point reduction in bank base rates within the next few months in order to trigger a reduction in mortgage rates. That in turn would feed through to lower retail price inflation, countering some of the recent upward pressure on prices.

There is less certainty, however, over whether part of any such reduction will come before the Budget on March 17.

Bonn squabbling threatens commitments

BY PETER BRUCE IN BONN

MR GERHARD Stoltenberg, West Germany's Finance Minister, may have some explaining to do today when he meets other members of the governing coalition in Bonn.

The opportunity will be yet another attempt, after January's general election, to find formal agreement among the three coalition parties on the partial outlines of a DM 40bn tax reform planned for the 1990s.

The explanation will have to do with how Mr Stoltenberg managed, at the troubled meeting in Paris yesterday, to promise to make additions to a DM 9bn tax cut planned for January next year.

Although the pledge was not surprising, it is nevertheless widely believed that the only way to increase next year's cut is to draw down on monies targetted for the DM 40bn reform.

But the coalition parties, Chancellor Helmut Kohl's CDU, to which Mr Stoltenberg belongs, Mr Franz Josef Strauss's CSU and the liberal FDP led by Mr Martin Bangemann, the Economics Minister, are still embroiled in a heated row over how to make the 1990 reform—meaning that Mr Stoltenberg may have put the cart before the horse.

In the bland wording of the Paris communique, Bonn's commitment to "diminish further the share of public expenditures in the economy and to reduce the tax burden for corporations and individuals with a comprehensive tax reform ..." has an almost fairytale quality.

In the real West Germany, a row about cutting corporate tax and the top marginal rate of income tax, which both stand at 56 per cent, has been rumbling now for three weeks. The CSU and the FDP want them cut. But because the CDU, the coalition leader, did badly in the general election, some of its leaders have got cold feet about appearing to be too concerned with the rich.

Somehow, the coalition will agree on something, but spiritually, the CDU's heart is not in tax reform. When the tricky question arises of how to finance a DM 40bn reform by slashing the country's DM 120bn a year subsidy bill, it can be relied upon to become even more squeamish.

Between now and the next general election in 1991 there are 11 important state elections scheduled in the West German Laender. Two of particular concern to the CDU are in April and May. If the CDU fails to take Hesse and loses the Rhineland Palatinate, then it loses its slim majority in the Bundesrat, the upper house in Parliament, and with it the ability to make laws.

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Zia traps Gandhi leg before wicket

By John Elliott in New Delhi

PAKISTAN YESTERDAY scored a diplomatic victory over neighbouring India when its President, General Zia ul-Haq, invited himself to a Test Match between the two countries outside New Delhi and announced his mission was "Cricket for peace, not war."

While India batted its way towards a possible victory in its third Test against Pakistan, President Zia demonstrated his superiority in the game of diplomatic nerves played by the two countries by insisting self-deprecatingly, but ambiguously, that he really could "not differentiate between a googly and a tail-spin."

India had been caught on the wrong foot by Gen Zia's self-invitation which he publicised four weeks ago when the two countries' armies were facing each other provocatively across their common border.

But his request to see the cricket could not be turned down. So, distrustful but outmanoeuvred, Mr Rajiv Gandhi, India's Prime Minister, greeted President Zia with adequate but unenthusiastic cordiality when he arrived in Delhi on Saturday night.

There was none of the usual diplomatic pagentry of a 21-gun salute, guards of honour, and lines of assembled ambassadors to greet the President, just Mr Gandhi, his wife and two cabinet ministers.

Only Mr K. P. S. Menon, India's *Foreign Secretary*, managed a quip and a smile when asked by reporters whether the President was on a state or official visit.

"It is an unofficial, private and cricketing visit," he declared as General Zia arrived in a Pakistan International Airlines jet, accompanied by more than 60 members of his family, staff and senior officials.

Mr Gandhi hosted a low-key dinner, and saw him off early yesterday morning to fly to the cricket in the pink Rajasthan city of Jaipur, barely 100 miles from the tense border area where India's controversial army manouvres, called "brass tacks," are taking place.

In Jaipur, amid tight security and protected by a bullet-proof screen, President Zia watched the cricket for a few hours. It was the second day of a five-day Test, and play finished with India scoring 459 for eight wickets. President Zia saw Mohammed Azharuddin, the only Moslem in India's Hindu-dominated team, score a century.

During 40 minutes of private talks before dinner on Saturday night, the two leaders agreed that good progress had been made on reducing border tensions. They also decided that a stalled programme of bilateral meetings on trade and other matters should be accelerated.

But whatever the outcome of either the Test Match or these accident-prone bilateral meetings, it was President Zia, with pictures of him and Mr Gandhi embracing each other splashed across yesterday's newspaper front pages, who won the day's diplomatic laurels.

Robert Thomson reports from Peking on the powerful resurgence of the country's conservative forces

Mao's words return with a lesson for China's modernisers

STUDENTS prodding bowls of Chinese dumplings, rice and pork in the dining hall of the Peking Iron and Steel Institute in recent days have had their digestion inspired by the revival of recorded messages of the thoughts of Mao Tse-Tung, the late Great Helmsman.

The renewed emphasis on Mao's teachings is a sign of the political turmoil that, according to some diplomats, has set back the country's development several years, and has seen serious challenges to the authority of the new Communist party leader, Zhao Ziyang.

China's paramount leader, Deng Xiaoping, is to-ing and fro-ing to such an extent that it is difficult to know where he stands. Yet there is no doubt that he has lost prestige with the demise of Hu Yaobang as party general-secretary. Deng had originally promoted his long-time friend to that post, despite strong conservative opposition, and then fell out himself with the hapless Hu.

Deng has also seen the undermining of his plan for an orderly succession, which he attempted to institutionalise by encouraging elderly officials to retire. Instead, a clutch of septuagenarians and octogenarians is leading the conservative charge and, at best, the succession question will be settled by a compromise that compounds the country's crippling lack of direction.

Conservative officials have cornered much newspaper space in recent days, despite Zhao's attempt to set precise boundaries for the drive against "bourgeois liberalisation," by which the party means Western influence. Zhao had wanted the campaign limited to party members, but conservatives, who are more orthodox in their devotion to Marxism, are extending the drive to the military universities, and cultural workers generally.

Party control over individuals and the country as a whole is at the heart of the conservative drive. Slogans such as "Get rich through labour" have been replaced with exhortations to be thrifty

Party control over individuals and the country as a whole is at the heart of the *conservative drive. Parents and* neighbours have been encouraged to lecture students on their social role, and students report that party members are taking notes of what is said during class discussions and even during casual conversations.

Slogans such as "Get rich through labour" have been replaced by exhortations to be "thrifty" and "selfless." The individual is to sacrifice him or herself on behalf of what the party defines as the state's interests.

The interpretation of Marxism is also at the heart of the struggle. Hu Yaobang and friends believed that Marxism could be "enriched" and drew a faint party line that was frequently crossed by academics and artists.

However, Peng Zhen, a senion conservative, and his friends are demanding that clear guidelines be drawn, based on orthodox Marxism, so that the Chinese people will not misunderstand Marx.

The conservatives are also emphasising themes such as "self-reliance," which is also an echo of *Maoist thinking*. A typical tack by an official wanting to make this point is to make the right noises about the need for an "open door" policy, but then stress, as has the *President*, Li Xiannian, that there is a grave danger that "our industry will not be able to grow" if foreign products are allowed into the country.

Chinese financial agencies are waiting for the political dust to settle. Foreign business people based here have noticed a marked fall in the confidence of import and export corporations.

Conservatives have also stepped up their attack on agricultural policy, and called for the introduction of more controls on farmers to ensure that they use all available fertile land and to stop them "wasting" their money.

A forum organised by the People's Daily newspaper concluded that "farmers have spent a lot of money building new homes and many of them even used their hard-earned money to build temples and tombs and carry out superstitious activities."

If the conservatives get their way, and most diplomats are not sure which way the political wind will turn, China's economic reforms are likely to stall, as the party will almost certainly strangle the individual initiative and confidence that reformers have worked so hard to develop in the past seven years.

Conservative officials have repeatedly said that "stability and unity" are their foremost concerns, and yet their drive has ensured that Chinese politics will be a confusing and messy business for a long time to come. And, of course, the Chinese people are foremost among those bewildered by the comings and goings of the Communist party.

Ghana to pursue economic reform despite criticism

BY PETER BLACKBURN, RECENTLY IN ACCRA

A TOP LEVEL Ghanaian government team starts important talks today in Washington with the World Bank and the International Monetary Fund concerning the continuation of a four-year economic recovery programme.

The talks follow last Friday's presentation of the 1987 budget, seen as a signal of the Government's determination to continue Africa's most farreaching economic reform programme despite strong labour criticism.

The team, led by the chairman of Ghana's Committee of *Secretaries, Mr P. V. Obeng*, and the Finance and Planning Secretary, Dr Kwesi Botchwey, will start talks with the World Bank on an estimated $150m *structural adjustment loan* and should conclude a performance review of last October's SDR 81.8m (£67m) one-year standby agreement with the IMF.

"We shall continue the adjustment programme. But we must match the pace with the mood of the people and take more account of the social consequences," Mr Obeng said in an interview in Accra.

The budget, originally expected in January, has abolished the two-tier foreign exchange rate system introduced last September, raised the daily minimum wage by 24 per cent and introduced production incentives designed to create new jobs.

Imports of oil and essential drugs, official debt service and cocoa exports formerly traded at the first tier rate of Cedis 90 to the dollar will now be traded at the second tier rate applicable *to all other transactions*. This is fixed by weekly foreign auctions and is currently Cedis 150 to the dollar.

The most immediate effect of the abolition of the two-tier system is a 27 per cent increase in fuel prices. A gallon of premium grade petrol has been increased to Cedis 190 from Cedis 150.

Import duty and purchase tax on commercial vehicles have been abolished and duty on spare parts reduced to 10 per cent from 30 per cent. These measures are designed to limit the increase in the cost of transport which would in turn affect food prices and accelerate inflation, analysts say.

No mention was made of an increase in cocoa producer prices. Under the two-tier system, cocoa farmers had been subsidising oil imports, finance and *planning secretary Dr* Botchwey pointed out. "This cannot be allowed to continue, since it would otherwise mean going back to the days when cocoa farmers provided cheap foreign exchange that was dissipated without being replenished," he said.

The Government has increased the daily minimum wage by 24 per cent to Cedis 112 from Cedis 90. This is in line both with last year's official *inflation rate* and IMF guidelines, analysts say. The country's powerful unions have argued that inflation is effectively much higher. They have been pressing *for a minimum wage of* Cedis 150 per day which would have maintained the traditional parity with the dollar.

However Cedis 150 per day is still insufficient to feed a worker, the unions point out. The Government has sought to mitigate union opposition by supplementing workers' incomes through more tax relief and increased housing, food and other allowances.

In an effort to restore confidence *in the banking system*, the Government has announced that Cedis 50 notes withdrawn after the December 1981 revolution can be redeemed im*mediately with full interest*.

About 60 per cent of the country's money circulates outside the banking system and this has contributed to an acute liquidity squeeze, according to bankers.

The budget also provides further incentives for industry and *non-traditional* exports. The corporate tax rate has been cut to 45 per cent from 50 per cent and duties on industrial raw materials reduced.

Real gross domestic product grew by 5.3 per cent in 1986, the third successive year of rapid growth. Further growth of at least 5 per cent is forecast this year, while inflation is targetted at 15 per cent, down from 123 per cent in 1983.

President P. W. Botha: double blow

Senior members quit Botha's party

SOUTH AFRICAN's President, Mr P. W. Botha, faced further disaffection within his National Party yesterday after two leading academics resigned in protest *at the slow pace of* apartheid reform, Reuter reports from Johannesburg.

The resignations of Mr Sampie Terreblanche, one of the party's most eminent theoreticians, and law professor James Fourie were announced as the party geared up for a whites-only general election on May 6.

Both are on the staff of Stellenbosch University, a National Party stronghold and seat of learning for the Afrikaner community. Their resignations followed a confrontation with Mr Botha last Friday, when the President, who is Chancellor of Stellenbosch University, tried to pacify critics at a heated three-hour meeting.

In his resignation statement, Mr Terreblanche said: "I have become convinced that the Government does not possess the will or the vision to bring about appropriate reforms. "For man years I placed my academic freedom and integrity at risk in order to lend credibility to the Government's alleged reforms."

Mr Terreblanche, a political economist and vice-chairman of the state-run South African Broadcasting Corporation, said *it was clear the party had no* plans for further reform of apartheid. As a social scientist he had tried to make the Government aware of its racial *dilemma "but without the* necessary success."

In a separate statement directed at Mr Botha, Mr Fourie said: "I cannot be part of the National Party under its present leadership."

Mr Terreblanche was a close adviser to the Minister of Constitutional Development and Planning, Mr Chris Heunis, who faces a strong challenge in the election from South Africa's former ambassador to Britain, Mr Denis Worrall, another National Party rebel. Mr Worrall is standing against Mr Heunis in the wealthy wine-growing constituency of Helderberg in what South African newspapers call the *most crucial election contest* since the party came to power in 1948.

The minister was the architect of the Government's apartheid reforms, which Mr Worrall and other National rebels have attacked as ineffective.

Mr Worrall is receiving financial backing for his election campaign from wealthy Cape wine growers dismayed at the Government's stalled reform strategy.

Dragonair boosts capital to HK$400m in routes fight

BY KEVIN HAMLIN IN HONG KONG

DRAGON AIRLINES is doubling its paid-up capital to HK$400m (£34m) in a sabre-rattling exercise that shows it will continue to wage war with the Hong Kong Government and Cathay Pacific Airways over the right to the Territory's air traffic.

"This is evidence of the commitment of shareholders in the company's future and will give Dragonair the enlarged financial base to continue with fleet growth and route expansion," said Sir Yue-Kong Pao, the shipping tycoon who is also the airline's chairman and controlling shareholder.

The Territory's aviation policy, which allows only one Hong Kong airline to operate on one route, was reaffirmed just five days ago by Mr Piers Jacobs, the Financial Secretary. The policy has blocked Dragonair's attempts to gain access to lucrative routes now served by Cathay Pacific.

The capital injection will be administered by existing shareholders in roughly equal proportion to their current holdings. The main Shareholders are Sir Yue-Kong, with about 35 per cent, Hongkong Macao International Investments, a consortium comprising many leading businessmen as well as the Bank of China, with 25 per cent, and Mr Ronald Chao, the textile baron, with 25 per cent.

Dragonair ordered two McDonnell Douglas *MD11* long-haul aircraft last December. They are valued at HK$1.5bn and are due to join the fleet in 1992. It now operates two Boeing 737s, a third is due for delivery next month and a fourth in September.

It recently began scheduled services to three destinations in Thailand, and operates additional charter flights to China and regional destinations on an ad hoc basis. Dragonair was recently awarded licences to operate scheduled services to 14 destinations in China, four destinations in Japan, Guam, Dhaka and Kathmandu.

The airline is now losing about HK$4m a month, and Mr Stephen Miller, general manager, says it will not become profitable until four aircraft are operating with "reasonable levels of utilisation."

Israeli crackdown on smugglers raises unholy diplomatic row

BY ANDREW WHITLEY IN JERUSALEM

THE ISRAELI authorities have seized heroin and gold worth over $1m (£660,000) from a car carrying the Greek Orthodox patriarch of Jerusalem from Jordan into the occupied West Bank.

Security sources say 5 kg of heroin and a large quantity *of gold was found in the car* of Theodorus I, a Greek national who head the church in the Middle East. Pleading diplomatic immunity, His *Beatitude, as the cleric is* known, was released but his Arab driver was arrested.

The haul, on the Allenby Bridge across the Jordon River, *highlights the drive Israel* launched recently against a flourishing cross - border smuggling business.

It also casts an embarrassing light on those *said* to be the principal couriers: high-ranking clergymen and other foreigners with the traditional right to cross the river in both *directions without challenge* from border police.

Last November, Archbishop Shahe Adjemian, a prominent Armenian clergyman also known to have been a *courier*, was arrested on corruption charges and providing gun licences to the Arabs in the occupied territories.

Since Israel *captured* the West Bank from Jordan in 1967, large quantities of dollars and gold bullion have been taken across the Allenby, the *only permitted crossing point* between the territories and Jordan. At its peak, in 1984, the daily flow is believed to have exceeded 100kg of gold.

Hard currency is the essential oil for the wheels of the moneychanger-based financial system in the occupied territories. And, before the Israeli shekel gained public confidence 18 months ago, it also met the apparently insatiable demand in Israel for black market dollars.

One Palestinian businessman, *a former kingpin in the trade*, said most of the gold was smuggled through Israel and the Gaza Strip into Egypt. Whereas Israel and the occupied territories consume only about 7kg of gold a day, the Egyptian demand is estimated to have been as high as 150kg.

Israel has been the transit route from Jordan, where bullion can be imported freely, *to the important jewellery market* in Egypt. Going the other way, through the "Gaza Pipeline," are Egyptian pounds needed to pay expatriate Egyptian labourers working *in* Jordan and the Gulf states.

Despite periodic half-hearted crackdowns, in the past the Israeli authorities apparently preferred to turn a blind eye to the stream *of* Israeli-registered, white registration-plate cars — those with diplomatic immunity — returning loaded from Jordan across the bridge.

What precipitated the about-face seems to have been mounting concern that the smugglers are now bringing in drugs and weapons, which reach the hands of potential terrorists. Just over a week ago Israeli security forces announced they had cracked a ring of Arab truck drivers who had been smuggling guns and explosives into the West Bank.

An extra consideration for the Israelis now is to promote the recently-reopened commercial banks in the occupied territories, a first fruit of the burgeoning quiet co-operation with Jordan over the region's administration.

Seventeen people, including 12 Israeli border policemen, were injured yesterday in an explosion outside Damascus Gate of Jerusalem's Old City, Reuter reports.

The explosive device, responsibility for which was *claimed* by the Palestine Liberation Organisation, was hurled into the street or nearby brush during the change of shifts between two *patrols of border policemen*.

"At this time it's not clear to us yet if we're talking about a hand-grenade explosion or a bomb blast," the *police said. Most of* the casualties appeared to have been slightly wounded by shrapnel.

Security forces took 70 *Arabs into custody for questioning*. A PLO spokesman said the attack was carried out by the "Ali Abu Taouk" unit.

OVERSEAS NEWS

Ivo Dawnay on reaction to the suspension of interest payments

Brazil puts banks in debt dilemma

BRAZIL HAS adopted a strong *confrontational* stance in unilaterally suspending interest payments on its medium and long-term foreign debt.

This is the view of many observers in spite of assurances to the contrary from President Jose Sarney and Mr Dilson Funaro, the Finance Minister.

One Brazil-based foreign banker emerged at the week end after a lengthy briefing of 200 overseas bank representatives with Mr Francisco Gros, the Central Bank president, saying: "Everybody is very, very negative vis-a-vis the forthcoming negotiations (with the commercial banks). It is going to make everything very much more difficult."

This view is being widely shared for three principal reasons.

First, the open-ended nature of the action. The banking community believes that, by making the suspension indefinite, Brazil is attempting to put pressure on creditors to agree a deal on its terms.

US banking regulations require loans to be written down, in effect as losses, if interest is not paid over a period of 90 days. Mr Funaro clearly believes that these, and other creditor banks' national banking laws, mean the pressure is on those with exposure in Brazil to reach a rapid deal.

"Now it is the banks who have an interest in negotiating as quickly as possible," he said last Friday.

The second confrontational element in the move lies in Brazil's outline terms for a deal. While arguing that all is to be debated, President Sarney's speech last Friday insisted that nothing could be agreed that might "compromise our economic growth."

Dilson Funaro: debt supremo

More specifically, with any International Monetary Fund programme already ruled out, he gave undertakings that employment and recession would not be acceptable.

Yet even with the most attractive debt agreement possible, many economists believe recession is already *inevitable* given the serious problems facing the economy.

Sao Paulo has just recorded the first increase in unemployment for nearly three years. Fiesp, the state's powerful industrialists' federation, is projecting a 30 per cent fall in output in the first two months of this year, admittedly from a high base.

All foreign bankers agree that none of the major creditors can envisage any new money for Brazil without steps to right its economy. Many smaller banks will resist all efforts to provide new cash.

The third cause for concern abroad lies in a series of signals that indicate a marked toughening of Brazil's stance. Not least, there is distress that the Government did not, as a diplomatic gesture, give any warning to the foreign banks' creditors committee that action was imminent.

Furthermore, all those in the Government who supported a more conciliatory approach have recently resigned. Mr Fernao Bracher, who left this month as Banco Central president, is the most prominent example.

Mr Funaro, who last month authorised the threat of the suspension of all payments on sovereign country credits during talks with the Paris Club creditors group, is now unchallenged head of economic and debt policy. President Sarney, who confesses little expertise on economics, has delegated strategy to the hardline Funaro team.

A measure of the siege mentality prevailing in Brasilia came after the president's address from Mr Aureliano Chaves, Mines and Energy Minister.

He revealed that he had ordered Brazilian oil tankers to sail from foreign ports to avoid sequestration. Other reports claim that a large portion of the country's $3.96bn (£2.64bn) reserves have been salted away overseas in "inviolable" account and the Banco do Brasil has also taken evasive action.

There is a strong feeling among critics of the Government that the debt issue is being used as a political diversion from the pressing economic issues. President Sarney is anxious to attempt to restore some of the prestige, popularity and political muscle that has deserted him with the return of monthly inflation in double digits, they say.

The suggestion in his highly emotional address that those that criticised the Government were guilty of treason has been greeted with widespread annoyance from politicians.

Moreover, while all parties have backed the suspension, congressmen in the main coalition party, the Brazilian Democratic Movement, PMDB, have categorically refused to give the Government a free hand on economic policy.

Many politicians are likely to oppose measures to squeeze the money supply, put ceilings on state sector investment and restrain subsidies either as too little or too much. Reports from the National Security Council meeting that preceded the announcement also suggest that the claims of total government unity are less than certain.

Mr Celso Furtado, a highly respected former Planning Minister, is said to have sought assurances that all the possible ramifications of the move have been prepared for, citing various awkward scenarios. The reply, it is claimed, was uncertain.

Although many bankers can accept the suspension of interest payments as a necessary step, there is serious concern over the manner in which it was done.

A senior banker said last week: "*While Washington may* have considerable sympathy with Brazil's economic difficulties, the US Government is not going to watch impassively if its major banks are seriously threatened."

The belief is widespread that Brazil is set on a high-risk course.

World debt: when bankers become restive, Page 14

S Korea may buy 160 Tornado aircraft

By Peter Bruce in Bonn

PANAVIA, the British, West German and Italian consortium that builds the Tornado fighter-bomber, is trying to sell up to 160 of the aircraft to South Korea.

Theoretically, such a deal could be worth $4-5bn (£2.6-£3.3bn), but serious talks with Seoul are apparently quite recent. The South Koreans only began in 1985 to look for a new strike aircraft.

US producers are also competing for the order, which will not replace aircraft but add to South Korea's overally air capability, with the F-16, the F-20 and, more recently, the F-18.

People close to the negotiations suggest that the possibility of a South Korean order for Tornado is more promising than a current effort to sell to the Japanese, who want a similar number of aircraft.

The aircraft is popular with Japanese air staff, but the surplus in Japanese trade with the US has become so politically critical that Tokyo would be loathe not to use a major military order to soothe ruffled feathers in Washington.

The Japanese search for an aircraft, however, has been going on since 1979 and although the South Koreans may see their requirement as more urgent, no early decision should be expected.

With developing countries in particular, political decisions to buy aircraft like the Tornado are often thwarted by financing difficulties. One West German official noted wryly that Seoul would probably hold out "until we offer to give them the aircraft."

Jordan is also considering buying 40 Tornados. The British have been negotiating with Amman for some five years. King Hussein has already flown Tornado and it is possible that, angered by US sales of weapons to Iran and a US decision not to sell the F-16 to Jordan, he may decide this year to buy the Panavia aircraft.

Richard Johns writes: General Camil Cuha, Turkey's Air Force Commander is visiting the UK this week and will fly in a Tornado based at RAF Hillington, near Bury St Edmund's, on Friday.

Turkey has made it clear that it would like to purchase 40 of the aircraft but would require assistance with financing.

Ankara says that it is stretched by the cost of the 120 F16s which it is buying from General Dynamics of the US and is building under license.

It is understood that one of General Cuba's aides is to have discussions with Marconi about the possibility of the company supplying it with "electronic support measures" (ESM) for the F16s.

Mexico expects $7.7bn loan next month

BY DAVID GARDNER IN MEXICO CITY

MEXICO expects the $7.7bn (£5bn) new credit agreed with its international bank creditors last September to be signed on March 15, in spite of market anxiety over Brazil, finance officials in Mexico City said.

Disbursement of the huge loan had been held up for four months by opposition from about 90 smaller creditors, most of them US regional banks, but officials in Mexico believe that too much political capital was invested in the Mexican rescue package by the Mexican Government, the banks and the US financial authorities for any one of them to wish to see it undone now.

Mr Gustavo Petricioli, the Mexican Finance Minister, said on Friday that Mexico had "firm promises" on all but the "insignificant quantity" of $350m of the syndication. He argued that there was no reason why Brazil's temporary interruption of full debt service, which he compared to similar suspensions by Mexico in 1982, Brazil itself in 1983 and Argentina in 1984, should have repercussions for other major Latin American debtors.

He wished Brazil every success in the new negotiations with its bankers, suggesting that it might be able to achieve a deal similar to the refinancing package Mexico agreed with its creditors last autumn. Other officials remarked that they would be watching closely to see if Brazil could now get better terms.

Mexico, which has a foreign debt of $103bn, is not facing foreign exchange constrictions as severe as Brazil's, officials say. Gross international reserves have risen to well over $7bn, from $4.5bn at the beginning of September, and are currently increasing at a rate of $150m a week, central bank officials say. This is largely the result of the recovery in oil prices, an increase in Mexico's non-oil exports, and the repatriation of capital brought about by a domestic credit squeeze which continues to be severe.

Mexico last year lost export revenue of $8.2bn as a result of the oil price collapse but by the end of December non-oil exports had risen 37.4 per cent over their level 12 months previously. Mexico was able to repay, just over a week ago, the remnant of the $1.1bn bridging finance provided last August by Western governments and central banks.

SHIPPING REPORT

Dry cargo rates hit by weak tanker market

Financial Times Reporter

THE tanker market remained very weak over the past week, not helped by the fact that a big gathering of the Institute of Petroleum in London seems to have taken a number of oil traders off the market.

VLCC fixing is described as virtually non-existent, with smaller tankers also having difficulty in getting business out of the Middle East. Rates in the Mediterranean have been very low, and tonnage is reported to be queueing again off West Africa.

The weakness of the tanker market has continued to exert pressure on dry cargo rates, with lower levels reported on coal and ore runs into Japan. One bright feature has been the number of Chinese orders, mainly in the grain trade, with Chinese brokers described as having their busiest period for a couple of years.

In the sale and purchase market there has been a burst of activity in the dry cargo area, chiefly among Panamax-sized bulk carriers, six of which were sold in the course of the week. Weak tank freight rates, though, have dampened interest in the tanker market, though a couple of transactions are reported involving Iran. The demolition market had a very quiet week, with Taiwan breakers almost inactive, though mainland China is still selectively in the market.

US to 'resume' paying its full share of UN costs

BY EDWARD MORTIMER

THE US is to resume paying its full share of United Nations' costs, General Vernon Walters, the US ambassador to the UN, said in London at the weekend.

As a result of reforms undertaken by the UN, General Walters said, the Administration "is going to request from the Congress the full $209m (£139m) assessment of the United States."

It would also "acknowledge the debt for what was not paid last year, and we will make arrangements to pay it off."

Officially in Europe to explain US policy on human rights, but apparently engaged on a damage-limitation exercise after the Iran arms scandal, he belittled the importance of US arms sales to Iran, while stressing that he would have advised against them "if they had asked me . . but they didn't."

He described the amount of weapons involved as "enough to sustain an artillery barrage for about an hour and a half," and said "every country in Europe has been selling arms to Iran."

By contrast he spoke positively about the changes under way in the Soviet Union, describing Mr Mikhail Gorbachev, the Soviet leader, as "trying to humanise the system.

He felt cautiously hopeful about the future of US-Soviet relations, including arms control agreements, "if Gorbachev carries the day internally."

He also felt cautiously hopeful about this week's UN-sponsored indirect talks in Geneva between Pakistan and the Communist regime in Afghanistan. Stressing that on this point he was voicing his personal opinion, he said: "I would say the United States would be perfectly willing to accept . . . a deal that would involve UN forces moving into Afghanistan, Soviet forces withdrawing, the UN forces supervising a plebiscite," and a guarantee of Afghan neutrality by the major powers.

The US, he said, would use such influence as it had to get the Afghan Mujahideen (resistance fighters) to accept this.

World Economic Indicators

FOREIGN EXCHANGE RESERVES

($m)

	Dec. 86	Nov. 86	Oct. 86	Dec. 85
US	17,328	16,785	16,358	12,856
UK	14,887	14,897	14,732	9,740
W. Germany	45,634	45,792	47,286	39,025
Italy	18,116	18,106	18,120	14,029
Japan	37,657	37,419	37,220	22,328
Netherlands	9,583	10,224	10,042	9,170
Belgium	4,630	4,539	4,414	3,969
	Nov. 86	Oct. 86	Sept. 86	Nov. 85
France	28,222	29,960	30,901	21,502

Source: IMF

Doumeng group wins FFr 6bn Soviet contract

By David Housego in Paris

INTERAGRA, the Frech holding company of M Jean-Baptiste Doumeng, the so-called communist millionaire, said at the weekend it had signed a FFr 6bn (£65m) agricultral contract with the Soviet Union.

It covers deliveries of beef and frozen food, the setting up of intensive chicken farms, irrigation equipment and turnkey plants for processing grain, maize and vegetable oil.

Mr Doumeng, long considered a friend of the Soviet Union, with easy access to its leadership, negotiated the final details of the contract when he was in Moscow for the recent international peace forum.

He said at the weekend the contracts had been signed with Soviet purchasing agencies under the wing of the Russian External Trade Ministry.

Interagra also said it had signed an economic and scientific co-operation agreement covering agriculture with another organisation.

Mr Doumeng said he had seen Mr Mikhail Gorbachev, the Soviet leader in Moscow. He first got to know him when Mr Gorbachev, then a young *agriculture minister*, visited Mr Doumeng's farm in south west France about 10 years ago.

Mr Doumeng's close and somewhat mysterious relations with the Soviet Union have long been regarded with mixed feelings by successive French governments.

A militant communist since the age of 16, Mr Doumeng runs a group which had sales of over FFr 4bn in 1984.

Canada unveils immigrant curbs

Canada has reversed its traditionally unquestioning hospitality towards refugees in response to hardening public opinion against a rapidly rising tide of immigrants with dubious claims to refugee status, Bernard Simon reports from Toronto.

Mr Benoit Bouchard, Employment and Immigration Minister, unveiled measures last Friday which for the first time enable the authorities to turn back people claiming refugee status at Canadian border posts. The new curbs include transit visa requirements and stricter application of refugee processing rules.

Mr Bouchard said the measures are designed to "better help refugees who need our protection while deterring abuse of our refugee determination system." Church and human rights groups criticised the new curbs as an erosion of Canada's humanitarian traditions.

Egypt-Sudan charter

THE Prime Ministers of Egypt and Sudan have signed a charter giving guidelines for future relations and, in effect, shelving a controversial pact aimed at gradual integration of the two countries, Reuter reports from Cairo.

Mr Sadeq al-Mahdi of Sudan and Mr Atef Sedki of Egypt signed the Brotherhood Charter in Cairo last Friday.

Gulf states 'to align currencies'

KUWAIT'S central bank Governor said yesterday that Gulf Arab states were likely to introduce a unified currency grid, broadly similar to the European Monetary System (EMS), within a year, Reuter reports from Kuwait.

The alignment was the first step towards creating a common Gulf currency, envisaged in the Unified Economic Agreement of the six-nation Gulf Co-operation Council (GCC), Sheikh Salem Abdul-Aziz al-Saudi al Sabah said.

"It is already decided, finalised (by monetary authorities). It is only a matter of approval," he said.

He said formal approval would be sought when heads of state of the GCC, grouping Bahrain, Kuwait, Oman, Qatar, Saudi Arabia and the United Arab Emirates (UAE), held the annual summit in November.

Sheikh Salem said the governors of GCC central banks and monetary authorities agreed last month to link their currencies to a "common base."

Once each had chosen a base value at which to link its currency to the common peg, the exchange rate would be allowed to fluctuate about 7½ per cent either way.

Unlike the EMS, where currencies rise or fall within set margins against each other, GCC exchange rates would be tied only to the peg.

Sheikh Salem said the peg had been chosen but remained "strictly confidential" until the formal go-ahead was given.

Regional economists have narrowed the choice of a peg down to a unit tied to the dollar, on which GCC states are heavily reliant as most oil sales are denominated in the US currency, or a basket of currencies.

They say this could be either the International Monetary Fund's Special Drawing Right (SDR) or a hybrid international currency basket tailored to Gulf trade.

Different systems now apply in the six GCC states. Oman's rial has been pegged officially to the US dollar since 1973 and Kuwait's dinar is linked to a financial and trade-weighted basket of currencies.

Manila factions compete to celebrate uprising

THE PHILIPPINES yesterday began celebrations to commemorate the "People's Power" uprising that toppled President Ferdinand Marcos a year ago, with rival military factions vying to mark the start of the revolt, Reuter reports from Manila.

The two ceremonies at Fort Bonifacio, the army headquarters, underlined the divisions that run through the 250,000-man armed forces in a continuing challenge to President Corazon Aquino.

They brought together two recent foes, the Armed Forces Chief General Fidel Ramos and the former Defence Minister Juan Ponce Enrile. Together they had led the revolt last year, seizing two military camps and being joined by millions of civilians.

Mr Enrile was dismissed last November after troops loyal to him were linked to a coup plot, while General Ramos stood by Mrs Aquino.

The second ceremony was organised by a group of ambitious middle-ranking officers called the Reform the Armed Forces Movement (Ram), who spearheaded the revolt last year along with General Ramos and Mr Enrile.

UK NEWS

NatWest pre-tax profit expected to exceed £1bn

BY DAVID LASCELLES, BANKING EDITOR

NATIONAL Westminster Bank, the UK's largest clearing bank, is widely expected to set a record tomorrow by becoming the first bank in the UK to make profits of over £1bn ($1.52bn) before tax.

NatWest's landmark results will open the Big Four clearer's 1986 reporting season, which market analysts predict will show total profits rising by 20–25 per cent, one of the sharpest increases in this economic cycle. Barclays is due to report on Thursday and Lloyds on Friday. Midland Bank will announce its results on March 4.

The improvement will reflect the continued buoyancy of the UK economy and the profitability of the banks' lending operations. Although the healthier state of UK business has removed some of the pressure on banks to make big provisions against loan losses, they are expected to maintain these at cautious levels, particularly in view of the continuing seriousness of the Third World debt problem.

The results may also give some clue as to the profitability of the new securities and investment banking operations which the banks established last year for the deregulation of the City of London.

Bankers have been warning that the high cost of setting these up will have largely offset whatever profits they earned in their first months in operation. Since the Big Bang only occurred on October 27, the new subsidiaries were in business for two months of the period covered by the results.

NatWest, which overtook Barclays in size last year, earned £482m in the first half and is thought to have exceeded this level in the second half of the year, mainly because of the benefits of its record £714m rights issue last April.

If analysts are correct in their predictions of £1bn total, this will represent a rise of some 25 per cent, and a striking achievement for Mr Philip Wilkinson, the bank's chief executive, who retires next summer. The only other bank in the world to have earned bigger profits is Citicorp, the largest bank in the US.

Barclays is expected to turn in a more mediocre performance. Profits may be up by 6 to 8 per cent to around £900m because the bank's business has been growing more slowly and margins have been squeezed.

These will also be the last results reported by Sir Timothy Bevan, the executive chairman, who is due to retire in May.

Analysts are expecting Lloyds Bank to record a profit increase of between 20 and 25 per cent to some £700m, with much of the rise coming from non-lending business

Midland's results should also confirm that it has finally recovered from the Crocker National Bank disaster with an increase of 20 to 25 per cent to about £430m. However, the new chief executive, Sir Kit MacMahon, is expected to announce a rights issue to replenish the reserves depleted by Crocker's losses.

Midland Bank, Page 8

British manufacturers 'responding well to more competitive pound'

BY JANET BUSH

BRITISH manufacturers are now responding well to the more competitive pound, lower oil prices and improved productivity and are more optimistic than they have been for some considerable time about output prospects.

This upbeat message emerged from the Confederation of British Industry, the employers' federation's February monthly trends inquiry published today which suggested that substantially more than a third of manufacturers expected output to rise over the next four months following a sharp rise in order books this month.

On a less sanguine note, the inquiry turned up evidence that some manufacturers might respond to the recovery in output by raising prices for domestic orders.

Sir Terence Beckett, director general of the CBI, welcomed the better performance by manufacturing industry but warned against complacency in the face of extremely competitive world markets.

"I would caution against headlines which describe Britain as booming. Output is certainly better than it has been for a very long time. But world markets remain keenly competitive, and companies will have to work very hard indeed to increase their sales," he said.

Sir Terence urged manufacturers to ensure that their costs were kept under control so that British goods were not priced out of world markets as they had been in the past.

In a separate analysis of the outlook published today, the London Business School predicted that manufacturing output would rise quite quickly this year, continuing the trend which emerged late last year as export began to respond to the lower exchange rate.

The LBS forecasts a 4½ per cent rise in manufacturing output both this year and next. Import penetration is expected to pause in the first half of 1987 although the trend remains upwards. Exports are expected to rise by the same amount as manufacturing output.

Despite improved export performance and strengthening invisible earnings, the current account is expected to widen to £2.3bn this year. From 1988 onwards, however, it is *forecast to return to balance as ex*port growth will be in line with that of imports.

Officials investigate Good Relations sale

BY PAUL CHEESERIGHT

DEPARTMENT of Trade and Industry officials from the companies investigation branch have interviewed senior executives of Good Relations, the public relations company, at least three times in recent weeks.

They have been investigating the sale, in 1985, of 11.18 per cent of the company's equity by Miss Maureen Smith, then the vice-chairman, to Mr Christopher Moran, an insurance broker who was expelled from Lloyds in 1982, and the subsequent placing of the shares on the market by Simon and Coates, the stockbrokers.

This series of transactions led to a London Stock Exchange inquiry, which made no criticism of Good Relations and found there were no grounds for making a case against Miss Smith or Mr Moran for insider dealing.

But the stock exchange chided Miss Smith for not informing the Good Relations board of her intention to sell, Mr Moran for not disclosing to Simon and Coates the source of the shares and Simon and Coates for failing to establish where the shares originally came from.

Disclosure of a fresh round of inquiries, this time by the DTI, is seen in the City as evidence of increasing activity by official investigators into allegations of improper trading practice and of a desire by the Government that its machinery for control of the City is seen to be working.

The Government has come under severe political pressure in the aftermath of the Guinness takeover of Distillers, and inspectors are examining charges that Guinness acted illegally to manipulate upwards its own share price.

The DTI yesterday refused to confirm or deny an inquiry into the Good Relations share transactions but noted that investigations were taking place all the time and did not necessarily mean that those investigated were guilty of an offence.

The purpose of the investigation was not immediately apparent yesterday. "I have no idea what it's about at all and haven't been contacted," Miss Smith said.

But the DTI invstigators have visited the offices of Good Relations twice and have also made telephone inquiries at the company.

They have new powers under the Financial Services Act to demand the production of documents and to compel co-operation from individuals under pain of court action. These powers can be used retrospectively.

Since the Smith-Moran-Simon and Coates share transactions, Miss Smith has left Good Relations, and Good Relations itself has merged with Lowe Howard-Spink Marschalk, the advertising company.

● The City of London Police, under Superintendent John Todd, said it was investigating possible fraud on the Eurobond market. It has been suggested that $25m worth of business is under examination, but no details of the inquiry have been made public.

● Mr Geoffrey Collier, the former securities chief at Morgan Grenfell, the London merchant bank, today appears at the Wimbledon Magistrates Court in London to answer charges of insider dealing. The charges have been made by the Department of Trade and Industry.

The initial summons covered alleged offences last November, related to share dealing in AE, the engineering company.

Research in drugs supported

By Lynton McLain

RESEARCH and development in pharmaceuticals is entering a new phase in which its work can be targeted more precisely through developments in information technology and biotechnology, but "it is vital that Government and the industry take steps to ensure that in the course of this change the UK is not disadvantaged compared with its competitors."

This is one of the conclusions in a report by the Pharmaceuticals Economic Development Committee on research and development, published today.

The pharmaceutical industry was trying hard to exploit the potential of the advances in technology, automation and of instrumentation that have occurred in the past 10 years.

"However, it is a cause of great concern that much of this advanced equipment has to be purchased from abroad," the committee says in its report.

Techniques to identify and analyse individual genes, to synthesise new or modified ones and to transfer genes, and have them become active, in foreign organisms were available.

These techniques already permit the synthesis on a commercial scale of human hormones and molecules that profoundly affect brain and behaviour.

Companies in the UK pharmaceutical industry are urged by the committee to review their involvement in biotechnology

Pharmaceuticals – Focus on R&D, Pharmaceuticals Economic Development Committee, NEDO, Millbank Tower, Millbank, London, SW1P 4QX, £7.

Pressure mounts to support Westland

By David Buchan

POLITICAL pressure is increasing for the UK Defence Ministry to make an early decision to buy helicopters from Westland in order to tide Britain's only helicopter maker over a two-year gap in its order book.

The Ministry of Defence (MoD) confirmed yesterday that a decision on future procurement of troop-carrying helicopters was due next month.

A ministry spokesman said the issue was not seen as being a rescue for Westland, but he said it was natural that ministers from other departments, notably the Department of Trade and Industry, would also want to discuss the company's future.

Westland has publicly warned that, unless it wins MoD orders to cover a barren period in its order book between 1988 and 1990, it will have to make further redundancies in the production and design teams of the helicopter division, which accounts for 60 per cent of group turnover.

Pre-election pressure on the Government to avoid reminding the electorate of the bitter government row over Westland in the winter of 1985-86 have led senior Westland executives to say privately that the MoD will in the end place some orders.

Westland reported a £26.4m pre-tax profit in the year ending last September, compared with a £95m loss the previous year. It also received a £75m capital injection a year ago when Sikorsky of the US and Fiat of Italy took shareholdings following the defeat of the rival all-European partnership bid championed by Mr Michael Heseltine, who resigned as defence secretary over the Government's handling of the Westland issue.

But Westland has currently no helicopter orders to fulfil between the end of 1988 and 1991, when it is due to start producing the Anglo-Italian EH 101 helicopter. Its helicopter division lost 750 employees last year. The company has warned of further redundancies, perhaps through "rationalising" research and development work with Sikorsky and Fiat.

Westland says the MoD should advance any helicopter procurements it is thinking of making and buy earlier rather than later so as to help maintain an indigenous UK helicopter manufacturing capacity.

The MoD, for its part, says it is loath to be rushed into buying the wrong aircraft just to bail Westland out.

Philip Bassett reports on an imported change in working practices

Annualised hours trend increases

BLUE CIRCLE, the UK's largest cement manufacturer, in 1985 needed to change its working practices to raise productivity, in order to justify new investment.

Part of the package it negotiated with its unions attacked the company's high overtime: despite a nominal working week of 39 hours, actual weekly working hours were in excess of 50 – high cost, vulnerable to industrial action, socially and morally difficult to maintain at a time of high unemployment.

The solution the company chose was annualised hours – looking at working hours not in terms of days, or weeks, but over a whole year.

Blue Circle moved from a four-crew shift system, based on 39 hours a week to a seven-crew system based on hours ranging from 2,028 to 2,251 a year. The move was central to greater labour flexibility, a common pay-rate system, harmonisation of status, cashless pay and use of contract labour.

The result was a 30 per cent reduction in required manning levels, a 15 per cent reduction in unit labour costs, average pay increases for manual workers of 13 per cent while working about 8 hours less a week, and output per employee rising by 35 per cent.

The startling figures in this case-study example are given by the Industrial Society today in the first full-length study of the extent, use and impact of annualised hours in the UK, published to coincide with a society conference this week on the issue.

Percentage of companies with annualised hours schemes

	%
Reduced unit costs	33
Reduced overtime	33
Reduced absence	16
Labour flexibility	24
Increased productivity	24
Changed holiday arrangements	24
Employee benefits	10
Return to profitability	4

Source: Industrial Society

The trend was first noted as far back as 1956 and developed in Sweden, but even by 1984 very few employers in the UK operated in this way.

Now, according to the survey, the trend has greatly increased: The Industrial Society says that of the 49 companies now with such arrangements, and 94 actively considering their introduction, some ½m employees in Britain now have their working time organised in this manner.

Companies surveyed by the society included BP Chemicals, Mars, Gulf Oil, Kellogg, Imperial Tobacco, Pilkington, Vickers Medical, Wiggins Teape, Boots and Duracell.

Annualised hours have tended to feature mainly in continuous process industries, especially in paper industry following a ground-breaking agreement there in 1982, warmly supported by the main print union, Sogat '82.

The survey confirms that 26 of the companies with such a system are continuous process, though significantly, almost half of those considering it are not.

The basic formula of annualised hours is relatively simple. In a company with a 39-hour week, the calculation is number of weeks in a year (52.2) × 39, less the number of holidays and bank holidays (25+8/5, all × 39), giving 1,778.

Most companies currently working this way introduced annualised hours some two to five years ago – the impact of the paper industry's scheme.

Requirements to reduce working time are the main reason for companies moving to annual hours – 73 per cent of operatives covered by the system are on a nominal basic working week of 39 hours or less. But the benefits – especially in the reduction of overtime – are seen by companies concerned as considerable.

Disadvantages include the complexity of shift rotas required, scheduling holidays, increase in sickness absence, inter-shift communication and a disinclination by employees to work "payback" hours sometimes required by the system.

But American Can, after bringing it in at its Runcorn plant, recorded increased employment and a large reduction in overtime; Don and Low, a Tayside textile company, saw its overtime bill cut by half, absence levels drop from 6 per cent to 4.2 per cent and labour turnover from 12 to 15 per cent to 8 to 10 per cent; and Thames Board, a Unilever subsidiary, saw an end to its annual shutdown with overtime reduced by 50 per cent and 30 new jobs.

The system is not without controversy. Unions representing 1m council manual workers are looking sceptically at proposals currently being considered by local authority employers for a move towards annualised hours as part of a package of labour flexibilities.

But the use of the idea – though still small – is clearly increasing. While it has palpable disadvantages – 6 per cent of companies, according to the survey, saw no reduction in overtime or in their unit costs – the benefits to employers, employees and more broadly, through its job creation possibilities, may accelerate that increase still further.

Annual Hours: a study of annual hours arrangements in the UK by G. Desmons and T. Vida-Hall. New Series No 6, Industrial Society, 3 Carlton House Terrace, London SW1Y 50DG. £15.

Union bid to improve part-time conditions

BY PHILIP BASSETT, LABOUR EDITOR

LEADERS of Britain's largest union, the Transport and General Workers', are to try to renegotiate the recognition agreements the union has with every employer with which it deals in an attempt to win equivalent conditions for temporary and part-time labour.

The move, thought to be the largest concerted negotiating effort ever attempted by a UK union, will affect thousands of British employees. The union is recognised in parts of virtually every industrial sector and area in the country.

It is part of the TGWU's new efforts to try to draw into union membership traditionally unorganised temporary and part-time employers, whose numbers have increased as part of changes in the employment pattern in the UK labour market.

The TGWU's campaign – aimed to last for at least two years – will be formally launched at a rally in London on Thursday, to be addressed by Mr Neil Kinnock, Labour Party leader.

A TGWU document prepared for the rally tells the union's officers that the "quickest way to get into the campaign will undoubtedly be to seek a review of existing agreements with management." Both formal agreements and informal undertakings – custom and practice – will be part of the union's review.

The union's aim is to try to win equivalent conditions for temporary and other peripheral workers at companies which have contracted out many of their services, such as cleaning, catering and security, which used to be carried out by permanent employees.

The TGWU is trying to rebut employers' claims for lower pay for peripheral workers because their flexible patterns of work are to their advantage, by stressing that, even with equivalent terms and conditions, flexible labour must be a cost advantage to the employer.

TGWU leaders are claiming that their whole approach to the campaign is helping to shape a new form of UK trade unionism

Drive for minimum recognition standards

BY PHILIP BASSETT, LABOUR EDITOR

LEADERS of the GMBU general workers' union are considering calling upon the Trades Union Congress (TUC) to draw up a code setting minimum standards for union recognition deals with employers in an attempt to halt what they see as a diminution of trade unionism through such developments as single-union and strike-free agreements.

Mr John Edmonds, GMBU general secretary, has informally discussed the idea with leaders of the TGWU transport workers and the National Union of Public Employees.

The move is an indication of how extensive has become the impact within the unions of such developments as strike-free deals, being signed mainly by the EETPU electricians and AEU engineering workers,

The aim of the initiative would be for the TUC to set down a code which would establish a model procedure for resolving disputes but which would preserve employees' rights to take industrial action, including going on strike, and the right of unions to have local union representatives within a plant.

The thinking stems from a number of recent incidents, all of them involving the companies concerned granting recognition to the EETPU:

● A 'beauty contest' parade for recognition between competing unions at the Japanese-owned Orion electronics company in South Wales.

● An electricians' deal covering all warehouse personnel in the cold and other stores across the country of Christian Salveson, the food services and transport group with which the TGWU, GMBU and Usdaw shopworkers' unions have traditional recognition agreements. This deal is now being examined by the TUC.

● A decision by Matsushita Electronic not to extend its long-standing single-union deal with the GMBU to its new plant in South Wales but to reach a deal instead with the electricians.

Alliance mounts final by-election effort to capture Tory votes

BY MICHAEL CASSELL, POLITICAL CORRESPONDENT

WITH three days left before polling in the Greenwich by-election, the Alliance campaign team is mounting a final onslaught to capture the collapsing Conservative vote and to try and snatch the seat from Labour.

The latest opinion polls suggest the final result could be uncomfortably close for Labour, which is defending a majority of 1,211. A telephone survey conducted for the Sunday Express newspaper at the weekend put Mrs Rosie Barnes, the Alliance candidate, less than 5 per cent behind Labour's Mrs Deirdre Wood. The Conservatives are given 17.5 per cent. The size of the Labour lead reflects the result of a National Opinion Poll carried out last week.

A Mori poll published in yesterday's Sunday Times newspaper suggested, however, that Labour still retained a larger lead, putting its support at 46 per cent, against 37 per cent for the Alliance and 16 per cent for the Conservatives.

Opponents of Mrs Wood, who was forced to call a weekend press conference to comment on newspaper revelations concerning her late father's death from alcoholism, yesterday criticised attempts to introduce smear tactics into the campaign. Mr John Antcliffe, the Tory candidate, said he was appalled at the latest attack on Mrs Wood's family, which represented "an indefensible intrusion" into her private life. The Alliance said the issue was irrelevant.

Disappointment in the Conservative camp at the party's failure to emerge as the leading contender for the London seat will, however, be tempered with the results of two other weekend polls, suggesting the party retains a national lead over Labour, particularly in the crucial marginal seats.

A Harris poll conducted for the Observer newspaper puts the Conservatives, at 39 per cent, two percentage points ahead of Labour, with the Alliance at 23 per cent.

Mr David Steel, the Liberal leader, said yesterday it was almost certain that the Alliance was not going to have a "fair slice" of seats in the next House of Commons because of the unfairness of the existing electoral system.

He claimed on "Weekend World" that there were no signs the Labour party had the capacity to take Tory seats in any significant number and that it was not wrong in principle for people to vote tactically in order to express themselves

LABOUR would call a second, early general election rather than form a coalition with other minority parties, Mr Larry Whitty, the party's general secretary, said yesterday.

Mr Whitty, in remarks which reflect recent comments by Mr Neil Kinnock, the Labour leader, ruled out any question of a Labour-led coalition government in the event of a hung parliament. He said on Tyne Tees Television that, if Labour was the largest single party after an election, it would govern alone.

He stressed that, while there would be a daily dialogue between party managers, any attempt by the other parties to stall Labour's programme would mean another election. "If we are the largest, single party, Labour will form a government. We will attempt to carry out our programme and we may make short-term tactical arrangements with parties to get the legislation through. But the moment they try to block a central part of our policy, we will have to go to the country again."

UK NEWS

Saving face over spot checks on high-technology imports

Peter Montagnon reports on an embarrassing wrangle with US about sovereignty

THE BRITISH Government has long faced an embarrassing decision over how to respond to the US request to be allowed to make spot checks on companies importing high-technology goods from the other side of the Atlantic.

Last week's statement on the issue by Mr Paul Channon, Trade and Industry Secretary, was a compromise that will broadly satisfy both the US Government and UK industry, but, almost inevitably, the Government failed to complete the hat-trick of silencing its political opponents as well.

Mr Paddy Ashdown, Liberal MP for Yeovil, has long argued that US assertion of extra-territorial rights for its controls on high-technology exports reflects not just a national security purpose but also an attempt by large US computer companies to dominate the world market in high-technology products.

As such they are an unwarranted intrusion on the national sovereign rights of other countries, and the Secretary of State's decision to allow inspections at all was a cave-in on UK sovereignty. To argue otherwise was "a question of sementics," he said.

In his statement Mr Channon said the Government was prepared "exceptionally" to allow US auditors to inspect UK companies, but only at the request of the UK company itself. The Government firmly rejected the concept of extra-territorial export controls such as those the US was seeking to apply, he added.

The statement was the culmination of talks with the US that go back to the autumn of 1985 when the Reagan Administration first requested permission to inspect UK companies in connection with a planned simplification of its own export controls. These are designed to prevent sensitive high-technology passing into the hands of the Soviet bloc.

The checks are to be made on larger companies which are eligible to become approved consignees under the system. Such a status obviates the need for US export and re-export licences to be obtained for each specific piece of equipment.

In deciding whether to allow the checks the Government was faced with a dilemma. If it did, it might appear to be conceding sovereignty in matters of high-technology trade to the US; if it did not, it would annoy many UK firms who regard the new system as a useful simplification of procedures and are prepared to submit to the auditing process.

Even though the US right to conduct the spot checks will be tightly controlled, this is not enough to satisfy critics such as Mr Ashdown, who said the decison to allow audits at all was the thin end of the wedge. "The US Administration and large US companies will continue to take greater and greater liberties," he said.

The Government went to war in the Falklands over an issue of sovereignty. In the trade area it had now handed control over UK sovereignty over to private-sector companies who would effectively be allowed to decide for themselves whether they should open their books to US Department of Commerce auditors, he added.

So sensitive is the issue of US export controls that industrial concerns are generally unwilling to discuss the matter publicly. For larger companies which are most likely to be affected by the new rules, however, the issue of sovereignty is less important than a pragmatic desire to avail themselves of the simpler procedures that the new rules offer.

If the price for that is agreeing to an audit, then they are generally willing, however reluctantly, to pay it.

Behind this view also lies some relief over the safeguards that have been built into the audit proposals.

First, the inspections themselves will not be very frequent, not least because the Department of Commerce lacks the resource to undertake more than a handful a year.

Second, the audit can only take place after the company concerned has sought permission from the UK Government itself.

Third, the US inspectors will confine their activities to checking that the company itself has adequate control procedures in place to prevent leakage of sensitive high-technology US-origin products to Communist countries.

These conditions were laid down by Mr Channon only after extensive talks with the US, which is understood to have agreed to abide by them in return for the right to make inspections. They are tougher than those the US originally wanted to accept – at one stage it was seeking full lists of customers from the UK companies concerned.

The hope is that they will be sufficient to prevent a repeat of the so-called Systime case in which Systime, a small UK computer concern which was eventually acquired by Control Data of the US, was accused of flouting US rules on re-export of technology and fined. The only possible penalty following from an audit of the type now envisaged would be loss of the special "approved consignee" status, Mr Channon said last week.

An even greater hope is that arguments like the current one over sovereignty as well as much of the attendant harassment that many UK companies say they have faced over US export controls will anyway soon become a thing of the past.

Earlier this month Mr Malcolm Baldrige, US Secretary of Commerce, announced that export controls on high-technology products were to be eased. UK firms say they are still awaiting details of what this will mean in practice, but they will no doubt heave a sigh of relief if what one called the "labyrinthine" controls imposed by the US for more than 10 years really do start to be unwound.

New engine 'beats EEC exhaust standards'

By John Griffiths

THE EEC's pending strict new car exhaust emission standards are claimed to have been met, with a wide margin, by a Ford Escort-installed engine combustion system developed by Sonex Research of the US and AE of the UK.

The International Automotive Testing Laboratory, a US federal government-registered emission test facility in Pennsylvania, carried out the test programme, which is currently being replicated at the Motor Industry Research Association's facilities at Nuneaton, in the Midlands.

The results showed a reduction in hydrocarbons and nitrogen oxides to 30 per cent below the level required by the legislation and 25 per cent less carbon monoxide, according to the laboratory.

This was achieved without catalytic converter and with no loss of power, the test statisics showed.

Fuel consumption was affected – but in two, opposed, ways: at a constant 56mph, fuel consumption was 28.5 per cent better than in a standard car but 27 per cent worse in the more important urban test cycle.

Commenting on the results, Dr Andrew Pouring, chairman and president of Sonex, said that Sonex was now working with a European fuel systems producer, as yet unnamed, to improve the fuel consumption figures.

AE, a major UK vehicle components producer with an acknowledged expertise in combustion technology, first disclosed that it was working on the system last summer.

The claimed advantage of the sytem, which depends on a radical piston design, is that it provides a low-cost, generic solution to exhaust emissions from car engines compared with catalytic converters or "lean-burn" technology.

TVS expected to join French channel bidding

BY RAYMOND SNODDY

TELEVISION SOUTH (TVS) is expected to announce today that it is bidding for a slice of TF-1, the French first television channel now being privatised by the French Government.

TVS is a member of the consortium put together by Hachette, the largest French publishing company, which is due to put its bid in for 50 per cent of TF-1 this evening.

In all, 50 per cent of TF-1 is on offer to corporate investors at a price of FFr 3bn (£322m), with 40 per cent going to individual shareholders and 10 per cent to staff.

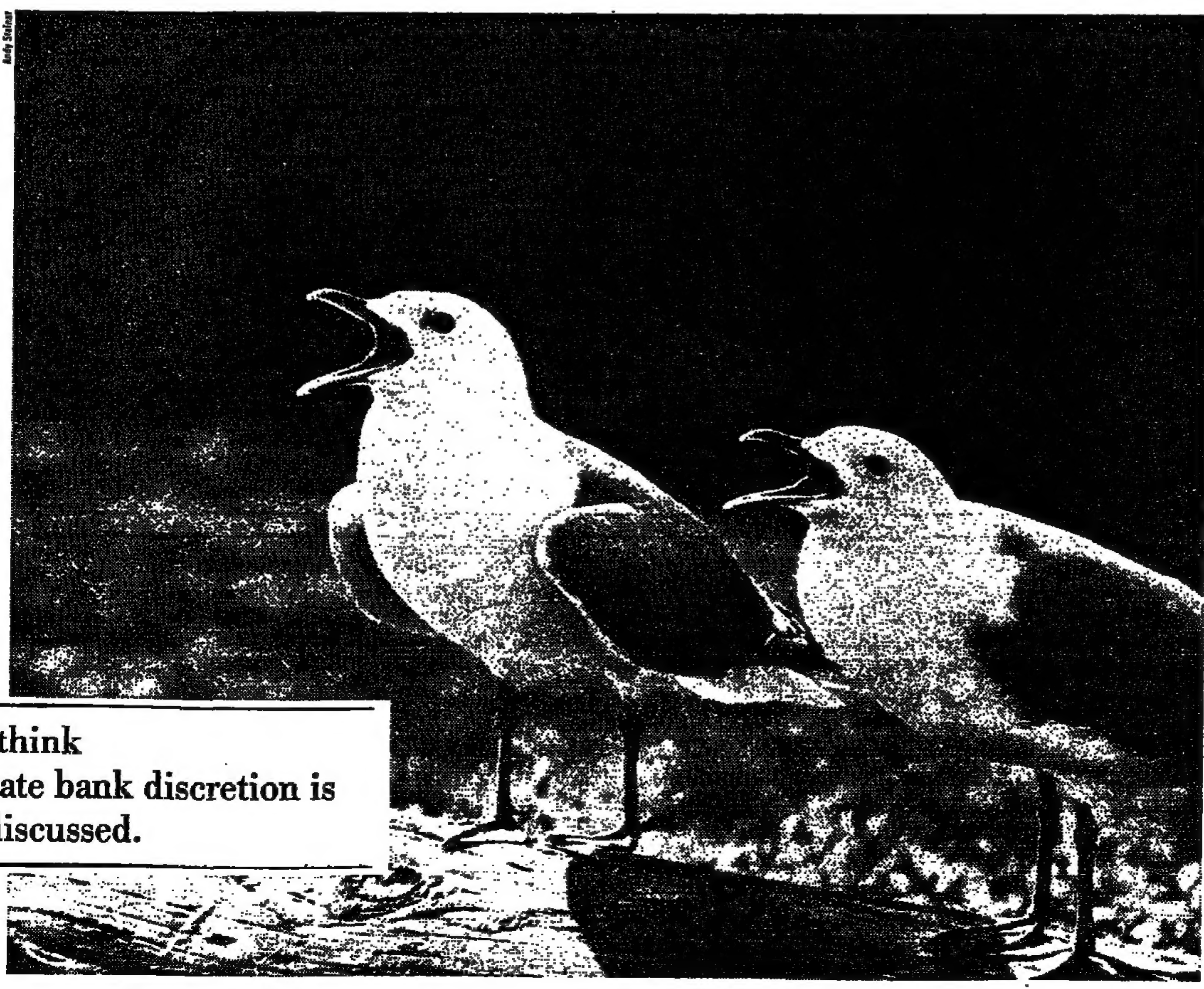
TVS, which already has an exhibition business in France, is seeking 3.5 per cent of the Hachette consortium.

Granada Television, one of Britain's big five commercial ITV companies will decide later today whether or not to take up a 3.5 per cent stake in the venture.

Granada's decision is likely to turn on whether it can negotiate management deals with Hachette to help with the development of advertising sales.

One problem for Granada is that it does not formally know who all the other investors in the Hachette consortium are.

Mr Robert Maxwell, publisher of Mirror Group Newspapers, is another investor looking seriously at trying to buy a stake in TF-1. Mr Maxwell is understood to be talking to Bouygues, the large construction group which is also expected to bid for TF-1.

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UK NEWS

New family of nuclear stations 'to employ 25,000'

BY DAVID FISHLOCK, SCIENCE EDITOR

THE "small family" of new British nuclear stations planned by the Central Electricity Generating Board will provide 25,000 jobs for 15 years, according to nuclear industry estimates.

Parliament debates today the report of Sir Frank Layfield's public inquiry into the Sizewell B project, seen by the CEGB as the first of a series of four or more nuclear stations based on the US Westinghouse pressurised water reactor.

The Layfield report, published last month, gave unequivocal support to the project, declaring the system both safe and economically very competitive.

Tonight's debate by MPs will be followed by another next Monday in the House of Lords.

The Government is then expected to give the CEGB approval to start construction of the £1.55bn Sizewell B station in Suffolk, south-east England.

Despite the fact that the design is based on a nuclear reactor licensed from the US, no more than 3 per cent of the capital cost will be spent overseas, says the British Nuclear Forum, the industry's trade association.

Contracts which could have delayed a start to the project have already been put out by the CEGB, on the understanding that no manufacture would begin until the project received government approval.

These "long-lead" contracts, worth about £122m, concern the pressure vessel and other parts specific to the nuclear steam supply system. But other contracts worth £325m for major station components have also been negotiated.

They include a £100m contract with British Pipework Associates for high-integrity steel pipe, and a £90m contract with GEC for two 660 MW turbine-generators.

Another substantial contract, worth an estimated £61m, is for fabrication of the reactor's primary circuit, by British companies under contract to Westinghouse.

The UK Atomic Energy Authority has two contracts totalling £31m for the validation of reactor components, materials and welds. Weir, in Glasgow, has a £7m contract for the main feedwater pumps.

The British Nuclear Forum says 95 major contracts have still to be placed by the CEGB if the project proceeds. They include the main civil engineering contracts, control, cables, switchgear and sub-stations.

Mr Jim Corner, the forum's director, who is also secretary general of Foratom, the federation of European nuclear trade associations, says there is considerable interest throughout Europe in Britain's decision over Sizewell B.

Mr Corner said the impact of the Windscale public inquiry and Britain's decision in 1978 to proceed with this £1.5bn nuclear project had been profound in Europe, "not least because of respect for the British judicial system."

Mr Corner said a positive decision by Britain in support of the PWR would be welcomed in Europe, which was still traumatised by the Chernobyl explosion last April.

● Balfour Beatty, part of BICC, and the West German nuclear company Nukem have formed a joint venture, WasteChem, to pursue radioactive waste management and nuclear plant decommissioning. As a collaboration, the partners have already undertaken the decommissioning of a radioactively contaminated building, including handling of two-tonne waste packages.

Midland Bank launches division for investment

BY DAVID LASCELLES, BANKING EDITOR

A NEW investment banking division operating under the name of Midland Montagu is launched today by the Midland Bank. The division includes all Midland's securities and capital markets operations, as well as its treasury and merchant banking business.

The chief executive is Mr Ernst Brutsche, who previously headed Midland's treasury division and has been responsible for developing Midland's investment bank.

Midland Montagu has a staff of about 3,000 people and capital of between £250m and £300m. Its component parts include Samuel Montagu, Midland's merchant banking arm, Greenwell & Co, the stockbroking firm which Midland bought for the Big Bang deregulation of the City of London, and Midland's treasury division and investment management business.

It will be housed in new quarters nearing completion in the redeveloped Billingsgate fish market. The Midland Montagu name has been incorporated in a new livery designed by Wolff Olins, the design consultants.

Mr Brutsche said the group had been designed around clients' needs rather than Midland's own corporate structure. He described Midland Montagu as a series of separate businesses with strong reputations in their own fields

Midland is the last of the Big Four clearing banks to complete its Big Bang structure. The bank has blamed the delay on the complexity of the changes as well as technological problems.

Men and matters, Page 14

APPOINTMENTS

Co-op Insurance Society chief general manager

Mr Arthur Duval, chief general manager of the CO-OPERATIVE INSURANCE SOCIETY, will retire on May 30. Immediately following Mr Duval's retirement, **Mr Alan Sneddon** will become the society's chief general manager, **Mr Peter Johnson** will become deputy chief general manager and actuary (non-Life) and **Mr David Hollas** will become deputy general manager and actuary (life). **Mr N. C. (Ches) Allen**, deputy general manager (agency) will retire on February 21. **Mr Fred Cerney** will then become assistant general manager (agency control and administration) and **Mr Frank Hennessey** will become assistant general manager (agency sales and training).

★

ETAM has made **Mr Norman Ireland** a non-executive director from April 1. Mr Ireland, who will be retiring as finance director of BTR on March 31, has been appointed non-executive chairman of Bowater Industries.

★

Mr Anders Oqvist has been appointed managing director of THORSMAN & COMPANY (UK). He was appointed managing director of Thorsman (Mexico) in 1984 and remains a director of that company.

★

Mr Nigel R. Marks, marketing manager, and **Mr John D. Patman**, divisional development manager, have been appointed to the management board of TAYLOR WOODROW MANAGEMENT CONTRACTING, while TWMC general manager **Mr John McKenna**, has been promoted to full director of Taylor Woodrow Construction, parent company of the management contracting division.

★

PICKFORDS TRAVEL has appointed **Mr Michael Wigmore** as its financial director. He was previously financial controller of Pickford's parent company, the employee-owned National Freight Consortium.

★

BEAZER PROPERTY, holding company of the property division of the Beazer Group, has changed its board structure following the recent merger with French Kier Property Investments. The division has two main operating subsidiaries: Beazer Developments, responsible for property development, chaired by **Mr Peter Bayes**, previously a director of French Kier Property Investments; and Beazer Estates, responsible for property investment management, chaired by **Mr Michael Martin**, a director of Beazer Property. Beazer Property is led by chairman and chief executive **Mr Terry Upsall** and **Mr Don Evans** as managing director. Mr Bayes and **Mr Paul Bennett** have been appointed to the property holding company board.

★

Mr Harold Keating will be retiring as regional chairman of BRITISH GAS WEST MIDLANDS on June 26 after 29 years' service in the industry. He will be succeeded by **Mr Cedric Brown**, currently responsible for development of the Morecambe gas field. **Mr Tony Haynes** will be retiring as regional chairman, British Gas East Midlands, on May 7 after 38 years in the industry. He will be succeeded by **Mr David Atkinson**, British Gas HG director of finance.

★

Mr Peter Hayward has been appointed to the boards of EXCO CAPITAL MARKETS and Exco Futures.

★

The following were elected to the executive committee of the ISSUING HOUSES ASSOCIATION for the current year: **Lord Rockley** (Kleinwort Benson), chairman; **Mr A. A. N. McIntosh** (Samuel Montagu and Co); deputy chairman; **Mr W. L. Banks** (Robert Fleming and Co); **Mr A. H. C. Broadbent** (J. Henry Schroder Wagg and Co); **Mr J. M. Hignett** (Lazard Brothers and Co); **Mr D. O. Horne** (Lloyds Merchant Bank); **Mr J. P. de Blocq van Kuffeler** (Brown, Shipley and Co); **Mr D. Reed** (County); **Mr A. M. Sorkin** (Hambros); and **Mr M. R. Valentine** (S. G. Warburg and Co).

★

LOMBARD & ULSTER has appointed **Mr Alan J. Gordon** as director of finance division. He was director and financial controller. He is also a director of subsidiary JCB Credit. **Mr Gerry J. Sims** becomes director of banking services. He was director of finance division.

INTL. COMPANIES and FINANCE

Toshiba seeks a bigger European market share with megabit chip

BY TERRY DODSWORTH

JAPANESE semiconductor companies have scored very few firsts in Western Europe. Late into the market behind the big US companies, hard-pressed to break into the tight distribution organisation set up by the Americans, and slow to invest in local production, their European businesses have lagged well behind their increasingly significant role in the global industry. But al that is beginning to change.

The most notable demonstration of this shift in emphasis came recently on the outskirts of Braunschweig, near Hanover, where the medieval buildings of the town centre juxtapose uneasily with the low-slung, high-tech factories of a nascent semiconductor industry. Here, Toshiba has just gone into full-scale assembly of its one megabit memory chip, the most powerful storage device yet developed by the industry, and first introduced in Japan a little over a year ago.

No other plant in Europe is yet producing a one megabit product; and although Siemens, the West German electronics group, is well on the way to the commercial launch of a similar device, it too will be using Toshiba technology.

Toshiba's move in Braunschweig, where it has invested DM 60m ($33m), and manufactures about 1.8m chips a year, is evidence of a new determination to improve its position in Western Europe. According to Dataquest, the market research group, it was ranked at number 15 only in the European semiconductor industry in 1986, with sales of $110m. To catch up with Philips, the Netherlands-based market leader, it would have to increase its turnover eight-fold, and it is only a quarter the size of Texas Instruments, the leading US company in the region.

These figures are completely at odds with Toshiba's position worldwide, where it is now creeping into second place in the industry behind NEC, its Japanese rival. Mr Tsuyoshi Kawanishi, the vigorous, bustling head of Toshiba's international semiconductor business, makes no bones about the fact that the company now sees Europe as a major growth area.

"Our target in Europe should be to approach our world ranking position," says one of his colleagues from Braunschweig. "We have a target of moving into the first five semiconductor companies in the region in the next five years."

The strategy developed by Toshiba to meet this objective is one of product-led expansion. Only three years ago, when the 64K memory chip was the industry standard, Toshiba was regarded as an average performer. But it forced its way into the limelight by launching a 256K product regarded in the industry as a particularly clever design, and has followed this achievement by a rapid jump into the one megabit era, where it was first off the blocks with full-scale production in Japan. It now claims to hold 90 per cent of the world market in this sector (excluding internally-produced chips by companies such as IBM), and claims to be well ahead on development of the four megabit chip.

Underpinning the group's expansion are three main elements. First, Toshiba has been investing extremely heavily in the semiconductor sector of its business. Despite its broad product base, with interests in consumer electronics, heavy electrical equipment and materials, about half of the group's capital investment and one-third of its research and development budget has gone into semiconductors in recent years, says Mr Kawanishi.

Within this allocation, the group has concentrated heavily on memory chip devices "because they are at the core of technological development."

Second, it has maintained a relatively wide spread of products. Despite its concentration on leadership in the memory chip market, for eample, it has a strong interest in discrete chips, specialised devices which are less sensitive to the variations in demand which characterise the boom-or-bust memory business.

It has also pushed hard into the market for semi-custom chips—Application Specific Integrated Circuits—which many expert regard as the big growth area of the net few years. It already has three design offices where customers can develop semiconductors to their own specifications, located in Dusseldorf, Stockholm and the UK. A fourth is now being added at Braunschweig.

Third, Toshiba is using its product advances and production technology expertise as a bait in the formation of alliances with overseas companies that can offer technology and markets in return. One example of this approach is the licencing deal with Siemens, which will give the West German company a quick route into one megabit production. Another, potentially more significant development is the more recent agreement with Motorola, the largest US semiconductor manufacturer.

Although not quite finalised as yet, the agreement brings together these two leading groups in a joint venture which commits them to exchange technology in the sectors they know best—they will build a jointly-owned plant in Japan to make Motorola's microprocessor and Toshiba's one megabit memory. The factory will be jointly-managed, though largely staffed by Japanese; and Motorola is being promised the use of the Toshiba sales force in Japan.

The industry is divided on which—if either—of the two companies will win from this arrangement. But it will undoubtedly enable Toshiba to learn more about microprocessor technology, the one major field of semiconductor production where American companies have an undisputed lead; and it will give the Japanese group's marketing arm a substantial boost.

Once the new plant is up and running, its product portfolio will be able to boast two of the most advanced products in the two key semiconductor markets—its own one megabit chip in the memory market which provides the raw storage capacity in electronic products, and the microprocessor which performs the most complex thinking functions.

"Having the microprocessor to sell will be enormously useful," says one of the group's European salesmen.

Even with the help of this agreement, however, analysts believe that Toshiba will have its work cut out to meet its targets in Europe. One factor working against it is that the European market is less biased towards memory products than Japan because of the weakness of the local consumer electronics industry. Indeed, according to Datapoint, the Japanese companies as a whole lost market share in Europe in 1986, slipping to 11.2 per cent from 11.3 per cent.

Another challenge will be the intensifying competition from indigenous electronics companies, which have invested heavily over the past few years in an effort to forestall the deterioration in their semiconductor position. Finally, there is the question of distribution. Toshiba is faced with a costly programme in building up a sales force able to stand up to the rival American and indigenous groups throughout the region.

On the other hand, the Japanese company is prepared for the long haul. It is not as yet, it concedes, making any profit out of its Braunschweig plant, but this is not deterring it from continued investment in growth. About 70 per cent of the memory products it sells in Europe now come from the plant, and eventually the company is planning to go over to complete fabrication in the facility as well as assembly and test work.

When it does, it will probably be much closer to its top five target than it is today.

LEADING SEMICONDUCTOR SUPPLIERS

Estimated 1986 revenues in Europe, $m

Company	Integrated circuits	Discrete	Opto-electronics	Total
	$	$	$	$
Philips-Signetics	549	228	25	802
Signetics	109	0	0	109
Texas Instruments	448	27	13	488
Motorola	275	146	4	425
Siemens*	192	125	40	357
Thomson†	198	101	3	302
SGS Semiconductors	192	52	0	244
National Semiconductor	233	2	1	236
ITT	115	100	0	215
Intel	214	0	0	214
NEC	193	4	1	198
AMD	172	0	0	172
Telefunken Electronic	52	68	44	164
Hitachi	151	6	3	160
Toshiba	82	20	8	110
Fairchild	95	7	0	102
RCA	64	15	6	85
Plessey	67	0	11	78
Fujitsu	70	0	0	70
Ferranti	53	13	0	66
Analog Devices	65	0	0	65
Monolithic Memories	48	0	0	48
Hewlett-Packard	0	5	41	46
Semikron	0	43	0	43
Matra-Harris	40	0	0	40
Harris	38	0	0	38

* Includes Litronix (US). † Includes Mostek (US).

Source: Dataquest

Italian banks warned on corporate lending

BY ALAN FRIEDMAN IN MILAN

THE BANK of Italy has warned the country's bankers against excessive corporate lending at interest levels which fall below money market rates.

In a meeting held late last week Mr Carlo Azeglio Ciampi, governor of the central bank, told senior executives of Italy's top 11 banks that excessive lending for "financial," rather than industrial, purposes was causing an alarming jump in the growth rate of credit in the system.

On a seasonally adjusted basis, the period between last July and the start of this year saw credit expand at a rate of between 15 and 20 per cent. This compared with a 1986 growth rate of 10 per cent — against a target of 7 per cent — and a 1987 target of 7 per cent.

Loans have been increasing in part because companies going public on the bourse have sought "bridging finance" to supply them with funds which are raised by means of share issues, but not actually paid over for several months. This phenomenon is not seen as problematic by the central bank.

The Bank of Italy is, however, concerned about the arbitrage which is occurring as companies borrow large amounts from banks at rates of 10 per cent or less—well below the prime of 13 per cent and even below interbank rates. The funds are then channelled back into deposit accounts which pay interest of 11 or 12 per cent.

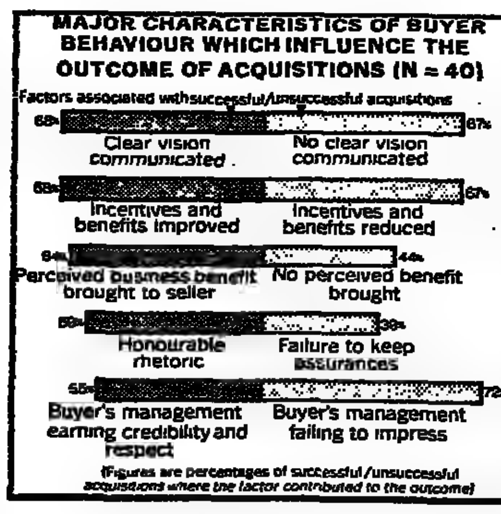
The banks justify the practice as providing spin-off business and fee income. More than 50 per cent of corporate lending is now at rates below prime, which in any case has never been very relevant for big Italian companies.

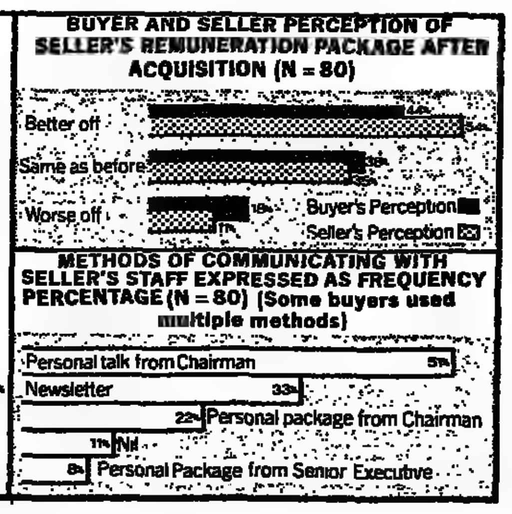
● Banca Commerciale Italiana (CI), the Milan-based commercial bank which is Italy's second biggest state-owned institution, has formed a merchant banking subsidiary, to be called Fincomit.

The new company, which plans to take advantage of recently announced government guidelines to engage in corporate finance, the purchase of equity stakes in companies, mergers, stock market listings and other activities, has an initial capital of L5bn ($3.8m).

The Bank of Italy has not yet announced detailed guidelines on merchant banks, including minimal capital requirements.

MANAGEMENT





Takeovers: why the people matter too

Michael Skapinker on a study of the aftermath of acquisitions

WHEN a takeover has been completed, the chief executive of a British manufacturing company said recently, "if the people turn out to be rotten you can always sack them and recruit what you want. You can't pull out of assets once you've bought them without losing face in the City. But it's still respectable to dispose of people."

Some managers involved in takeovers might blanch at such cynicism. But, according to a study to be published this week, many acquiring companies pay insufficient attention to the human consequences of takeovers. Those that do consider the human dimension generally achieve greater success with the companies they acquire.

The study, conducted by the London Business School and executive search consultants Egon Zehnder International, looked at 40 acquisitions made by British companies in the UK and the US between 1981 and 1985. More than 100 chairmen, chief executives and other senior managers on both sides of the Atlantic were interviewed during the course of last year. Among the companies participating were industrial conglomerate Hanson Trust, Dixons, the electrical retailer, Woolworth Holdings retail group, the Argyll foods and supermarket group and Lloyds Bank.

Forty-five per cent of the acquisitions studied were wholly amicable. Another 45 per cent were partly contested, either because there were several interested buyers or because there was some resistance from the company being taken over. The remaining 10 per cent were hostile, with the bid made over the heads of the vendor company's board.

The study focuses on the "human factor" in takeovers: the way in which both sides tackle such issues as who should manage the acquired company, to what extent the two organisations are integrated and how a new vision and strategy are formulated and communicated.

It covers a wide range of acquisitions. In some of the takeovers studied, the entire board of the acquired company was disbanded. Other acquiring companies adopted a softer, and, some might think, bizarre approach. One director introduced himself to the staff of a newly acquired American company by telling them: "My name's Ben. I'm a cuddly teddy bear and you can hug me."

The researchers claim that almost all other studies of mergers and acquisitions focus on financial and business factors. But, they say, "financial and business criteria provide the necessary, but not sufficient, preconditions for a successful acquisition.

"Once the company has been acquired, it is then almost entirely dependent upon the human element to make it live up to expectations. Unless the human element is managed carefully, there is a serious risk of losing the financial and business advantages which the acquisition could bring to the parent company."

The interviews with managers from both acquiring and acquired companies revealed that both sides generally agreed on whether the consequences of a particular takeover had been happy or not. Fifty-five per cent of the acquisitions were adjudged by the participants on both sides to have had "very successful" or "successful" results, with the remaining 45 per cent regarded as "so-so," "unsuccessful" or "very unsuccessful."

Which of the human factors made the difference? The nature and behaviour of the acquiring company before the deal was not of great significance, the study found.

Neither the acquiring company's previous experience of takeovers nor the relative size of the buyer and seller seemed to have made a difference. In addition, although amicable takeovers were generally more successful than hostile takeovers, the difference was not enormous.

Surprisingly, it did not make much difference whether or not the purchasing company had clear advance plans on how to deal with the acquired company. Although 35 per cent of the acquisitions were adjudged a success, only one buyer in five had, at the time of purchase, an operational plan on what changes would be needed in the company acquired.

Of the pre-takeover factors, only two were found to be significant. The one, obviously, was the health of the company acquired. Ninety-three per cent of those purchased companies which had been rated by both sides as very healthy before the takeover were subsequently rated as successful acquisitions. But even here, 50 per cent of the companies regarded as unhealthy before takeover were subsequently transformed into successful acquisitions.

The second factor which influenced the ultimate success of the acquisition was whether the acquiring company had carried out a thorough audit of its purchase before the takeover. Because only 10 per cent of the takeovers involved were hostile, "buyers had the opportunity to enter the seller's premises and to conduct a wide range of audits. Not all chose to make use of this opportunity," the study says.

All the buyers in the study conducted financial audits of the acquired companies before they bought them. But only 37 per cent carried out a management or personnel audit. And this figure is a considerable over-statement, the study says. "Many of these (audits) were limited to pensions, salary levels and general personnel policies, and extended only to a very general assessment of just the top levels in the company."

Although buyers stressed the importance of the purchased company's middle management, 70 per cent did not meet these managers before the takeover.

The study found that the behaviour of the buyer after the takeover did have a great influence on the success of the acquisition. Managers in the acquired organisations stressed the importance of dealing with the feelings of insecurity which follow a takeover.

"Time after time we were told by the acquired management in our study that uncertainty was the worst part of a takeover, that when people's jobs are felt to be at risk, counter-productive behaviour follows—self-interest takes over from the wider organisational interest," the report says.

After the takeover, the acquired company's managers need to know what is going to happen to them. "They are not necessarily seeking an operational blueprint for the future—often impossible at the early stages—but they are looking for a shared vision or scenario concerning the future developments and directions for the business. In particular, they want to know whether a new management will be taking over or whether the existing management is to continue as before."

In two-thirds of the acquisitions regarded as successful, a senior executive from the buyer company (often the chairman) personally communicated with all levels of the organisation at in-plant meetings, area conferences or social occasions. In two-thirds of the unsucessful acquisitions, the buyer did not do this.

Another factor contributing towards success was whether the purchasing company adhered to assurances given during the takeover negotiations. In over half the takeovers adjudged a success, managers in the acquired companies mentioned this as an important element.

The provision of investment funds for companies which had been denied them by their old owners also created a high level of commitment to the purchasing company, particularly at middle management level.

Whether or not to merge the acquired company or its various departments with those of the purchaser was less important than how this was implemented. Success was the result of communicating the final decision clearly and designating one senior person on each side to keep the companies or departments apart or one senior person to merge them.

"Finally, and not surprisingly, in two-thirds of successful takeovers, the acquired management reported either improved performance incentives, better pension entitlements, better career prospects, or the introduction of share options. In a similar percentage of unsuccessful acquisitions, there was a perceived loss in one or more of these areas. If share options were not granted, particularly to acquired American management, the loss of a participatory equity was regarded as a significant demotivator."

Curiously, after the takeover, the acquired companies generally thought they were better off in their remuneration packages than the purchasing companies thought they were. The study says this is probably due to the austerity imposed by the previous management or the absence of performance-related incentives before the acquisition.

Acquisitions — the Human Factor. Available for £50 from Egon Zehnder International, 87 Jermyn Street, London SW1Y 6JD, or from the Business Bookshop, London Business School, Regents Park, London NW1 4SA.

John Lewis

No retribution for 'Anon'

Michael Skapinker on the UK retailer's communications policy

WHEN freezing weather swept across Britain last month, one disgruntled shop assistant wrote a bitter note to the company's management.

"The winter came with a vengeance and it took many of us a long time to travel to work. Trade was very slow and almost non-existent, but did management, knowing we faced long, arduous journeys home, ever consider closing just half an hour early? How that would have been appreciated. But no, we had to stay until the bitter end in a deserted shop. Goodwill. What a hollow laugh." No name appeared at the end of the letter, merely the pseudonym Thanks a Lot.

In many companies Thanks a Lot's note would have gone straight into the bin. Most people dislike unsigned letters. There is, in any case, not much that managers can do to help if they do not know the complainant's name or branch.

But the retailing group, the John Lewis Partnership, published the letter in its weekly Gazette, together with a reply from I. A. J. Anderson, Director of Trading, Department Stores. "When travel is difficult, managers have discretion to let those who have the worst journeys to make leave early. But we have a commitment to our customers and we try never to let them down."

The Gazette carries up to four pages of letters every week, along with replies from the executive concerned, usually a director. Sometimes the reply comes directly from Peter Lewis, the chairman. Many of the letters are signed with a pseudonym. Not even the Gazette's editorial staff know the true identity of the letter writers.

The right to make complaints or suggestions while remaining anonymous is a well-established tradition at John Lewis. The £1.4bn company is a partnership, belonging to all those who work for it. The partners, as the 29,000 employees are known, share in the company's profits. They also elect most of the members of the central council, which nominates five of the 12 directors and which can remove the company's chairman.

To the partnership's founder, John Spedan Lewis, the letters were an important part of the company's democratic process. The Gazette was first published

in 1918, but the employees did not initially live up to Lewis's expectations. At the end of 1919 he complained that virtually the only letter that had been received was "a quite useful criticism of the Sweet Department."

The reason that the Gazette had not received enough letters, he wrote, "is that some of you are too dull and the rest of you are too lazy." Letter writers should not fear retribution, he said. "You can do it anonymously so that no interested party can make things unpleasant for you afterwards."

In these more egalitarian times, John Lewis partners are far more forthcoming. "Why does the Director of Trading, Food, Mr Foster, sometimes wear blue striped shirts when addressing branch council or visiting branches?" asked a letter writer who went by the name of Jermyn Street Or Is It? "Rules on business dress are strictly enforced — section managers and above are only allowed to wear white or cream shirts. Why is Mr Foster allowed to disregard this rule?"

Hugh Macpherson, the general editor of the Gazette and of the group's branch publications, says he has to publish all the letters he receives. Only the chairman of the company can authorise non-publication, and the writer can appeal against his decision. Party political and religious debate is not permitted in the Gazette's columns. The chairman will also ban discussion of store security.

He might also forbid publication of letters containing commercially sensitive information, although what does appear must occasionally bring joy to the hearts of John Lewis's competitors. "I am fed up with, but more embarrassed by, the fact that on many occasions we have to keep customers waiting at the checkouts while someone goes to find the price of an item," wrote Hung Up With No System, a partner at one of John Lewis's Waitrose supermarkets.

Macpherson says that while gratuitous personal attacks on rank-and-file partners are not usually published, managers are expected to grin and bear it. "Letter-writers can go to the very limit with managers," he says.

Macpherson admits that the system has some unpleasant consequences. "Sometimes the strains on managers can be intense on the personal level. Nobody likes to be attacked in print." In addition, he says, "there is the sheer burden of time." All letters have to be published within three weeks, together with the reply from the manager concerned. In some cases, the answers demand a fair amount of research.

Nevertheless, he says, any attempt to change the system would be unlikely to win much support in the partnership. "We believe that communication is as important as sharing profits," he says.

There is another matter which, he says, is of even greater significance. Despite its partnership structure, John Lewis has always accepted the need for professional managers. "The Partnership does not believe that industrial democracy necessarily lies in the control of an organisation entirely by elected persons," the company's literature says.

The letter system, Macpherson says, helps to ensure that the managers remain accountable to the workforce. "Management has continually to react and justify publicly all its decisions on an agenda set by the partners, not by the managers," he says.

BASE LENDING RATES

	%		%		%
ABN Bank	11	● Charterhouse Bank	11	● Morgan Grenfell	11
Adam & Company	11	Citibank NA	11	Mint Credit Corp. Ltd.	11
Allied Arab Bk Ltd	11	Citibank Savings	¶12.45	Nat Bk. of Kuwait	11
Allied Dunbar & Co	11	City Merchants Bank	11	National Girobank	11
Allied Irish Bank	11	Clydesdale Bank	11	Nat Westminster	11
American Exp. Bk	11	Comm. Bk. N. East	11	Northern Bank Ltd	11
Amro Bank	11	Consolidated Cred	11	Norwich Gen. Trust	11
Henry Ansbacher	11	Co-operative Bank	*11	PK Finans. Intl (UK)	11½
ANZ Banking Group	11	Cyprus Popular Bk	11	Provincial Trust Ltd	12
Associates Cap Corp	11	Duncan Lawrie	11	R. Raphael & Sons	11
Authority & Co Ltd	11½	E. T. Trust	12	Roxburghe G'rantee	11½
Banco de Bilbao	11	Equator'l Tst C'p plc	11	Royal Bk of Scotland	11
Bank Hapoalim	11	Exeter Trust Ltd	11½	Royal Trust Bank	11
Bank Leumi (UK)	11	Financial & Gen. Sec	11	Standard Chartered	11
Bank Credit & Comm	11	First Nat. Fin. Corp	11½	Trustee Savings Bk	11
Bank of Cyprus	11	First Nat. Sec. Ltd	11½	UDT Mortgage Exp.	¶12.25
Bank of Ireland	11	● Robert Fleming & Co	11	United Bk of Kuwait	11
Bank of India	11	Robert Fraser & Ptrs	12	United Mizrahi Bank	11
Bank of Scotland	11	Grindlays Bank	‡11	Westpac B'nking Corp	11
Banque Belge Ltd	11	● Guinness Mahon	11	Whiteaway Laidlaw	11½
Barclays Bank	11	HFC Trust & Savings	11	Yorkshire Bank	11
Benchmark Tst Ltd	11	● Hambros Bank	11		
Beneficial Trust Ltd	12	Heritable & Gen. Tst	11		
Berliner Bank AG	11	● Hill Samuel	§11		
Brit. Bk. of Mid. East	11	C. Hoare & Co	11		
● Brown Shipley	11	Hongkong & Shangh'	11		
Cl. Bank Nederland	11	Lloyds Bank	11		
Canada Permanent	11	Mase Westpac Ltd	11		
Cayzer Ltd	11	Meghraj & Sons Ltd	11		
Cedar Holdings	12	Midland Bank	11		

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THE MONDAY PAGE

An elusive vision of democratic socialism

JOHN LLOYD

IT IS ten years since the death of Anthony Crosland, widely regarded as the leading theorist of social democracy, or democratic socialism as he came to call it, since the war. In The Future of Socialism (1956), again in Socialism Now (1974) and in essays and pamphlets, Crosland laid down markers for the three central goals of British socialism: these were—greater equality, greater concern for social welfare and the erosion of class differences.

The Future of Socialism was written at a time when these goals seemed to many evidently right; when the consensus was growing that Britain's malaise was less that it did not produce enough but that it was inegalitarian and class-ridden. Crosland's writing frequently evokes the freer, more mobile, apparently classless society of the US.

His legacy was a complex one: he strongly advocated state action to promote equality—especially in education where, as Education Secretary from 1965-67, he laid the foundations of the comprehensive system. But at the same time his work and his political practice is shot through with a defence of individualism, brusquely dismissing the top down, we-know-best socialism which he identified with the Fabian tradition, even though he was a long time member of the Fabian executive.

That legacy has been under sustained attack since his death. From the left, his onetime Oxford pupil, Tony Benn, developed a version of socialism which identified Crosland as gradualist and elitist, according little place both to the struggle from "below" and the engine of the state to effect irreversible change in the structure of ownership and the balance of social power.

From the right, simultaneously, came a prolonged and much more successful assault on the notion of egalitarianism. This identified the aims of democratic socialism with those of state socialist societies and conflated human freedom and the freedom of the market to the point where intervention in the latter was held to mean a dilution of the former.

The second of these strands still runs strongly in political discourse and practice, and has been partly responsible for the rift in the left which produced the Social Democratic Party in 1980.

The first, the "alternative left" view associated with Mr Benn has lost much of its impetus at parliamentary and Labour leadership level, but has transformed itself into a complex political strategy threatening to Crosland's socialism. It substitutes for Crosland's all-inclusive egalitarianism a view of a "socialist constituency" composed of groups identified as much by racial and sexual definition as by class; while male trade unionists and the state are both part of "the enemy."

This new constituency, whose best organiser to date has been Mr Ken Livingstone, when leader of the Greater London Council, takes it as axiomatic that the corporate blocs of which capitalism was one composed—with capital and labour squaring up to each other in disciplined manner—has disintegrated. This in turn means (as Dr John Urry and Mr Scott Lash of the University of Lancaster argue in a forthcoming book The End of Organised capitalism) that issues of sexual and racial equality, not to say power, will become more salient than the issues of class Crosland saw as predominatang.

The reception of Mr Roy Hattersley's recent book, Choose Freedom, shows how narrow the base for democratic socialist argument has become. Mr Hattersley, who devoted the first and most vigorously-argued part of his work to a rescue of the concept of freedom from the purely market-based embrace of the right, has been reviled on the left for selling the pass to Thatcherist values and on the right for being a Leninist in Kerensky-ite clothing. It is hard to find a hearing for the mixture of state action and libertarianism which is what Crosland proposed.

It is not that it is not proposed. Mr Neil Kinnock and Mr Hattersley, in their differing styles, do it continually. Mr Kinnock has a view of society at least as libertarian, and as distrustful of statism, as Crosland: in a recent interview with the New Statesman, he responded to a question on how he would seek to re-invigorate British industry by saying that "in a free society thre's no way in which that can be dictated from the top . . . the electorate are adults . . . if they don't take advantage (of a more favourable climate for business) there's no law I can pass that requires them to." Crosland's intellectual heritage has taken root in Labour's leadership—though that leadership has to articulate it in harder times politically than any Crosland had to face.

It is proposed because there is, on the left, no alternative to the central elements of Crosland's vision. The radical coalition view, which is now the main contender for support within the left, sets out a political stall which assumes a constant round of bargaining between groups and then between groups and the state—on the tacit assumption that a state power does hold the ring, and in the end provides funds to meet the groups' demands. It is, in short, a strategy of opposition which cannot assume power without being untrue to its own tenets.

The Crosland vision is certainly no longer misty-eyed: two decades and more of comprehensive schooling have not laid to rest the debate of private versus state schooling, because many who can afford to do assert the right to buy the privileges for their children which private education demonstrably buys. Privately educated students account for around 50 per cent of entrants to Oxford and Cambridge, a proportion which has grown in recent years.

Yet it is still an immensely potent vision. The view, now being revived and extended, that greater equality leads to greater freedom for the greater fredom for the greater number—and, concomitantly, that the assertion of privilege by the better off leaves the worse off less equal, therefore less free—holds no less force today than it did in the fifties. The case for strong state action to act as an engine on an economy and industry relentlessly slipping behind those of advanced states which do subject them to the momentum of planning, and of objectives set between the state and industry, is certainly no less than in the easily confident days in which Crosland produced his testament.

The fact that there are more hairdressers and fewer welders than in Crosland's days does not mean that action at national level to assist their living standards is less required—on the contrary, hairdressers are less well paid and less well organised to assist themselves than were welders. The disorganisation of modern capitalism does not require less coherence and less organisation from the state if our society is not to become fragmented into dangerously hostile groupings—it needs more. Ten years after his death, more than thirty years after the publication of the Future of Socialism, Crosland's ideas remain still in the future—and still worthy of achievement.

** Polity Press.*

John Lloyd is editor of the New Statesman.

INTERVIEW

Freedom rules, OK

Anatole Kaletsky talks to Milton Friedman, father of monetarism

LOOKING OUT at the panorama of glistening blue waters, soaring suspension bridges and graceful skyscrapers from Professor Milton Friedman's apartment on top of Russian Hill in San Francisco, it is easy to share in his adulation of the free enterprise system.

As beautiful and dignified as any town in Europe, San Francisco does not hold up to public view the squalor, naked poverty and brashness that stands as a reproach against the workings of the invisible hand in cities like New York, Los Angeles or Mr Friedman's former home Chicago.

This is appropriate enough. For Mr Friedman, father of monetarism and prophet of *laissez faire* encomomics, sees nothing about free enterprise that is worth reproaching.

He does not deny, of course, that there are disadvantaged people in every society, that there is widespread poverty in the US or unemployement in Britain. He is totally convinced that government intervention only exacerbates these problems; that even the disadvantaged will generally be better off in a society with less government and freer markets.

He gives an example: "Why are the number of homeless increasing in the US? It's not an accident — it is because the incentive to be homeless has become greater."

But a person would have to start out at an extraordinary low level of happiness to respond to such incentives by voluntarily becoming homeless. Surely high unemployment and the spread of poverty in the last decade must be part of the answer?

Professor Friedman is adamant. Homelessness is caused by government incentives and intervention. The combination of rent controls and welfare subsidies for the homeless with the income taxes required to pay for them, have aggravated the problem they were designed to solve.

Why is the standard of health care for the poor declining? Like homelessness, this in inevitable as long as health is funded through government and not the market. In any society, those people who must pay the taxes to support a health system for the benefit of others will resist, and eventually avoid, the levels of taxation required.

He also attributes unemployment to too much government. The tightening of economic policies around the world since 1979 was an inevitable and desirable response to the inflationary demand management of the previous two decades, but the methods employed to cure inflation were needlessly destructive.

Mr Friedman feels he is too far away to comment on the British experience, except to say that it has been more monetarist in rhetoric than in substance. On the US, where the Federal Reserve Board announced last Thursday that it was formally abandoning its main monetary target, he shows no such restraint. The US authorities, despite their monetarist pretensions, have been trying to "fine tune" demand like unreconstructed Keynesians—and he does not share the financial markets' enthusiasm for this eclectic "seat of the pants" approach.

Mr Paul Volcker, chairman of the Fed, who has been virtually deified by Wall Street, gets Mr Friedman's unmitigated condemnation. "If somebody had wanted to deliberately adopt a policy to discredit monetarism they would have done what Volcker did." Mr Volcker decided in 1979 that he wanted high interest rates to reverse the fall of the dollar. Using monetarism as a "smokescreen," he imposed a "much too sharp contraction in monetary growth and inflation," which obviously led to a collapse of output and employment.

But would Mr Friedman not accept that the markets went a bit wild, pushing the dollar up to an absurdly over-valued level, wiping out much of America's manufacturing industry in the process?

To him such a proposition is absurd. The capital inflows which sent the dollar skywards were a normal "proces of re-adjusting international portfolios." It may be objected that hundreds of office buildings financed by this cash are standing empty and that numerous industrial operations were put out of business by the fickleness of the exchange rate, but Mr Friedman is unimpressed.

He welcomes any reallocation of resources conducted by free participants in a competitive market. He rubs in the point by inverting the conventional wisdom about the overvalued dollar and the foreign inflows. "The only part of the inflow which was harmful was that occasioned by US protectionism — Japanese investments in the domestic car industry, for instance."

But if he refuses ever to blame market forces, he is modest enough to claim little credit for monetarism.

Although the US will soon see a resumption of inflation in the 5 to 6 per cent range, he thinks the insidiously rising trend throughout the world has been decisively reversed. But monetarism has had little to do with this improvement.

The credit goes to institutional changes which have "taken the profit out of inflation" for politicians. Bond market interest rates will rise quickly enough to thwart governments trying to repudiate their debts through inflation. Indexed tax systems have eliminated the fiscal windfalls from inflation.

Thus politicians now have more incentives to take inflation than to provoke it. How they will do this remains to be seen, but in the long run monetarism may come to be seen as the obvious solution.

The period since 1971—when the US abandoned the gold standard—is unique in human history, Mr Friedman says. For the first time no country in the world has had a link between its money and any commodity standard. Previously, countries departed occasionally from commodity standards, but these episodes were sporadic and almost invariably disastrous—ending in hyperinflation.

The situation is different now because of institutional changes which will thwart a monetary explosion of the kind which led to past hyperinflations. As a result, the world is in a "transitional process," which will end with the establishment of some new "anchor" for long-term price stability.

To Mr Friedman the obvious anchor would be a fixed rate of growth of the money supply — defined, with no statistical obfuscations, as the amount of cash and bank reserves in the economy, without any allowances for discretionary changes. This classic formulation of monetarism, which first appealed to politicians like Mrs Thatcher and President Reagan, has been consistently rejected as impossibly simplistic by monetary authorities like the Fed and the Bank of England. But Mr Friedman is contemptuous of the central bankers' objections.

At the technical level, he dismisses claims that financial liberalisation has made it impossible to manage the money supply. If central banks would only concentrate on controlling cash and reserve assets, a totally deregulated financial system would soon settle down into a stable competitive equilibirium.

The real problem with monetary control is not technical, but political. There is a simple reason why central bankers and finance ministers refuse to have their hands tied — they love power.

More broadly, it is the widespread lust for power among the middle classes which most worries Mr Friedman and makes him wonder about the ultimate stability of what he calls a free society. "If freedom were not so economically efficient, it certainly wouldn't stand a chance."

The threat to free enterprise comes from the "haves" not from the "have nots." It was the middle classes who created the welfare state, the progressive tax system and the numberless special-interest subsidies, which are the ultimate threats not only to economic, but also to political, freedom.

"Freedom," as Mr Friedman understands it, has been the cornerstone of his work. Unlike Professor Friedrich Hayek, the other patriarch and nobel laureate of free-market economics, he grew up in Brooklyn, not in central Europe. He had no direct experience either of facist or communist oppression. This may account in part for his sunnier and more authentically libertarian vision.

While there is a discordantly authoritarian tone in Hayek's testament to economic freedom, The Road to Serfdom, the small and impish Mr Friedman seems to take genuine pleasure in unpredictable, chaotic, individualism. It is a pleasure and excitement which he has conveyed not only in his book, Capitalism and Freedom, but also in his television series, Free to Choose—the opening scene showed him almost drooling with delight at the teaming confusion of a Hong Kong street market. Indeed, he horrified many of his conservative friends and colleagues in the 1960s by opposing military conscription and advocating freer laws on abortion and even drugs.

Today, he has no doubt that freedom has triumphed in the "world of ideas." Apart winning the theoretical arguments, even more important has been the utter disillusionment with socialism from Britain to Australia. Yet he is strangely pessimistic about the political condition of America. "We are less free today in every direction than we were 30 years ago," he laments.

What frightens him are invasions of economic freedoms — environmental regulations, controls on hiring and firing, trading bans with South Africa, sex discrimination laws. Above all, he worries about the burden of taxation.

"I refuse to accept that requiring people to work from January 1 to some time in June for the government is a purely economic phenomenon, unless slavery is a purely economic phenomenon."

Why is it, then, that the "slaves" of Sweden, West Germany and Holland have managed to overtake the living standards of Americans, who are still comparatively free of taxes? Mr Friedman has an unexpected retort to this objection.

Because taxes are heavier and governments bigger in Europe than in America or Japan, Europe has more room for improvement. It would, therefore, be entirely consistent with a *laissez faire* outlook if a newly liberated Europe now started performing better than America and even Japan.

To the true believer there is obviously nothing that market economics can fail to explain.

● PERSONAL FILE

1912—Born in a poor immigrant family in Brooklyn, New York
1932—Graduated from Rutgers University, financed by a state scholarship
1946-77—Professor of Economics, University of Chicago
1963—Published a monetary history of the US
1976—Awarded Nobel Prize for Economics
1977—Made senior fellow, Hoover Institution, Palo Alto
1981—Joined President Reagan's economic policy advisory board

The right to be a refugee

JUSTINIAN

THE case of the 58 Tamils, whose summary removal by immigration officials was thwarted temporarily by their show of defiance at Heathrow Airport and halted by the High Court, coincided with the judgment of the House of Lords in four political asylum appeals. Both events reveal a serious defect in the administrative process of determining who should be accorded the status of refugee and entitled to asylum in the UK.

A person claiming to enter or remain in the UK, on the grounds that he is a refugee, is decided on exclusively by the Home Secretary through the immigration officials. No doubt each case is carefully considered. But whether such ministerial or official consideration is thorough and scrupulously fair cannot be tested in the courts, other than in a very limited manner by way of judicial review of the administrative action.

There is no appeal to the courts from the Home Secretary's decision denying refugee status; and no effective appeal lies to the immigration Adjudicator or the Immigration Appeal Tribunal established under the Immigration Act 1971, if the immigrant claiming refugee status is denied the status by the Home Secretary and removal is being effected to the country where, contrary to the view of the Home Secretary, the immigrant is in danger of persecution.

In the Lords cases the immigrants argued that the courts should decide whether they were refugees and protected by the Geneva Convention (1951) and Protocol (1957) Relating to the Status of Refugees. But that contention was in direct conflict with the Immigration Act 1971, which entrusts to the immigration authorities the exclusive power and duty to determine whether any person should be given leave to enter or remain in the UK.

The appellants then tried another tack. They claimed that they were at least entitled to remain in the UK until their refugee status had been considered by the Adjudicator and, if necessary, the Immigration Appeal Tribunal.

Again, that contention flew in the face of what parliament had provided. The Immigration Act 1971 provides that the right to appeal arises only as and when the immigrant has left this country and returned home—perhaps to be persecuted.

In the absence of any proper appellate process before an independent and impartial tribunal, the courts are not entirely stripped of their function to protect an individual. Where the result of a flawed administrative decision may imperil life or liberty, the courts accept that they have a special responsibility to examine with a fine toothcomb the precise process of decision-making.

In the one successful case before the Lords the strutiny by the judges of that process revealed a suspicion that, in sending the immigrant back to Kenya, there was a risk that the Kenyans might take the immigrant to the frontier with Uganda. It was in reliance on some evidence that in the past Kenya had not complied with the Geneva Convention, by handing over some refugees to Uganda, which led the Lords to conclude that the Home Secretary had not properly taken into account, or had inadequately resolved the ambiguities and uncertainties surrounding the conduct and policy of the Kenyan authorities.

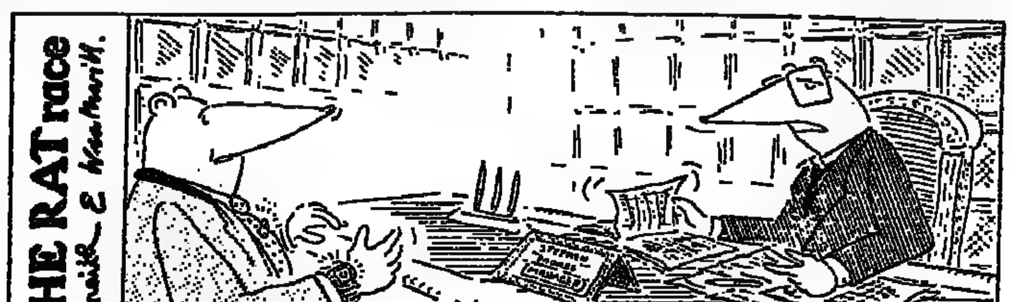
Much of the problem associated with refugee cases is that immigration officials display an instinctive (and sometime unhealthy) scepticism about claims to refugee status. Refugees rarely make applications for asylum when they first arrive on these shores unless, of course, it appears that there is no other way of gaining entry.

In the one successful case in the Lords the immigrant had given information to the immigration official that was inaccurate, or there were discrepancies in his account of himself when posing as an intending visitor. The explanation for such apparently devious behaviour is not hard to find. A person fleeing from oppressive authorities in his homeland often displays a lack of confidence in the authorities of another country. His first aim is to ensure that he is securely inside the country of intended asylum. The fear is that he will be immediately turned back at the port of arrival. Entry is sought as a student or visitor and the application for asylum made thereafter.

Even a successful entry, whether by leave of the immigration authorities, or by some clandestine method, often means a delay in applying for asylum. It often happens that asylum is claimed only when the refugee feels that there is no alternative to imminent extrusion by the authorities.

The claim to genuine asylum, and counterclaim of sham by officials, breeds an unsatifactory administrative process. Only an appellate system can remedy that unhappy state of affairs.

The Government may be forced to concede it as a result of the obduracy of the 58 Tamils. Or it may be forced to yield the point as a result of two cases currently before the European Commission of Human Rights at Strasbourg.



THE ARTS

Architecture/Colin Amery

Caring for our heritage

"That they may build from age to age
An undefiled heritage."

I doubt that Kipling's *Children's Song* is much whistled along the corridors of the Department of the Environment, but it could well have been hummed a bit by Sir Hugh Rossi and his fellow MPs as they collected the evidence for the first report of the House of Commons Environment Committee on the management and economic potential of the architectural heritage.

Last week the committee produced a timely and good report after listening to and reading the evidence of some 150 bodies, societies, organisations and companies—all concerned in some way with maintaining the past in the present.

Describing historic buildings and ancient monuments as "an essential part of the personality of this country" and "crucial" to the way we perceive the environment, the report takes a long look at how well and how badly we take care of this limited stock. The committee was clearly impressed by the evidence of the British Tourist Authority, which said the architectural and landscape heritage of Britain is one of the major attractions for the foreign visitor.

A major preoccupation of the Commons committee is to improve the maintenance of our built heritage so that its economic value and tourist earning power can be more effectively tapped. It is heartening to read a broad approach to this subject which extends the idea that important historic buildings and landscapes belong to the nation as a whole—that their care is a national concern.

The report reveals some useful facts. That at April 1986, according to English Heritage, there were some 12,800 scheduled monuments in England and some 426,000 listed buildings. After the Church of England and the Government, British Rail is the largest owner of Victorian buildings in the country. The most visited historic property, with almost 2½m visitors a year, is the Tower of London which is still in the care of the Government. The Church of England is the owner of more than 12,000 listed churches, more than half of these are mediaeval and some 2,675 churches are listed Grade I (of exceptional interest).

A more worrying statistic is the table which shows the army has damaged, during recent training exercises on Salisbury Plain, some 102 of the 356 scheduled sites of historic or archaeological importance. It is hard to believe but apparently true that 70 per cent of all town centres contain conservation areas. The report points out that this does not seem to have bridled the energy nor the success of the aluminium window salesmen.

The principal recommendations of the report concern the role of English Heritage which was established under the National Heritage Act in 1983 to take over many of the activities connected with historic buildings and monuments that were formerly undertaken by the Department of the Environment. Curiously the committee seems anxious to turn English Heritage back into a government department while allowing it to continue to act as an unrepresentative quango.

There is a constitutional anomaly in the creation of an arm's length commission like English Heritage funded by the Government while still retaining a freedom to criticise or appeal against DoE policies. If the recommendations adopted that English Heritage should take over the responsibility for the listing of buildings from the DoE, the serving of repairs notices and listed building consents—how can English Heritage give independent advice during an appeal or Public Inquiry? The report has no advice on this point.

Under the Town and Country Planning Act of 1971 the compiling of lists of buildings of special architectural or historic interests is a responsibility laid upon the Secretary of State for the Environment. The guidelines have not changed much. All buildings erected before 1700, if they survive in their original condition, tend to be listed. Most erected between 1700 to 1840 are listed though this is selective. Between 1840 and 1914 only those of "definite quality and character" are listed and the selection process favours the listing of the works of principal architects.

In the period between 1914 and 1939 the process is much more selective. In Scotland there is a rolling cut-off date whereby all buildings over 30 years old are eligible for listing. The report recommends the application of this principle to the whole country—and it certainly makes perfect sense.

A major re-survey of buildings throughout the country began in 1970 and will be finished in the middle of this year. It is hoped this process will have been so thorough that the present rather arbitrary "spot listing" will cease.

At present there is no right of appeal against listing and should you see an earnest inspector lurking around outside your house do not feel obliged to ask him in. At present the interiors of listed buildings are not, as a matter of course, inspected. The report does not feel that this should be changed although it does suggest that as a courtesy the owners of properties should be notified when the inspector calls. I cannot agree that internal inspections are not worth making—there are endless examples of important interiors that are not in any way apparent from the exterior. Inspectors should be knowledgable enough to have researched the important interiors before they set out on their rounds.

The report rightly suggests a study into the use of computers in a field where they would be extremely useful. If the departmental computer was linked to the amenity societies a great deal of useless correspondence could be saved and an intelligence network to protect the listed buildings could be more effectively established. The local publication of illustrated lists is also to be supported. Recommendations to re-survey Salisbury Plain, where there has been so much army damage, should be adopted forthwith, and the neglect of Woolwich Arsenal stopped.

On financial matters the report suggests that money spent on the maintenance of a listed building should be treated as a tax allowance against all income of the owner. The 15 per cent VAT on repairs (while alterations are zero rated) should be refundable either through the tax system or by Government grants, say the report.

An interesting observation made in the report is that if the National Land Fund had remained in being as originally constituted it would now be producing an income equivalent to the present Government's annual spending on the heritage. A good suggestion made is that the fund now constituted as the National Heritage Memorial Fund should make donations to support the repair and maintenance of cathedrals — as a fitting memorial to all those who died in the two world wars. To do this some major reparation of funds will be necessary. If cathedrals are not to receive public funds in this way then the committee recommends they should institute admission charges without delay.

Apart from asking for more funds for historic gardens, amenity societies, archaeology and deficit properties managed by the National Trust, the report thinks that unoccupied royal palaces like Hampton Court should be taken into the care of English Heritage.

The report makes some 42 recommendations — but the principal ones all point to the strengthening of English Heritage. At the moment that body is run by civil servants in everything but name and by appointed committees and commissioners. Its management has not so far shown itself to be particularly imaginative, and it is in no way democratically representative if it is to receive more statutory powers. Even if the cash was forthcoming it is doubtful that English Heritage on their own have the right to be the ultimate influence upon our national patrimony.

There is, as far as I can see, no reference to education in the Commons' report. Such an astonishing gap suggests there is still a great deal of thinking to be done about what the heritage is for. Fogeyish conservation is not enough. Tourism kills as much as it saves. As a first shot at an examination of the management of the heritage this report is a good start but more money and more unrepresentative quango power is not the answer. There has to be a cultural and educational basis for any future plans for the built past.

Will it soon cost £1 to enter Canterbury Cathedral? A Commons Committee suggests that it should

Elektra/Paris Opéra

Andrew Clark

As with *Tosca*, *Elektra* poses extreme questions of taste: you either make a meal of it by succumbing to the musical and histrionic vulgarities it invites, or you can accept it as high art. By a curious mixture of director-designer default, imaginative casting and refined musical control, the Paris Opéra's new production aspired to the second of these categories.

Any run of performances that can field Hildegard Behrens, Christa Ludwig and Jeannine Altmeyer as the trio of leading ladies has more than a head start. Miss Behrens' debut in the title role fulfilled the expectations aroused by her Salome and Brünnhilde: this was an involving and inwardly expressive performance of a very high calibre. She may not be the loudest Elektra there has been, but she is certainly one of the most human and tender—outstandingly so in the Recognition Scene. Her bright, shining tone is unfailingly secure and expressive, and suggests a quality of girlish youthfulness that has always been to Miss Behrens' advantage when comparisons are drawn with a more conventional breed of German dramatic soprano. Although there was nobility in plenty in this portrayal, the shock of flowing red hair and her black off-the-shoulder number also suggested something more powerfully sexual and threatening, as much in solitary repose as in her succession of one-to-one confrontations with the family.

The tall, regal Klytemnestra of Christa Ludwig made the mother-daughter duel better theatre than ever. In body, this Klytemnestra is still very much intact, but Miss Ludwig showed by a perfectly-constructed explosion of nervous, guilt-ridden gesture that the inward disintegration is complete. It was heartening, too, to hear the voice in such splendid attacking condition.

The fact that all members of the cast were so clearly intelligible was tribute to the delicacy of Seiji Ozawa's conducting, which revealed how meticulously characterised the score is, and how precisely calculated its overall shape. Such a softening of the work's dynamic extremes is not how I would wish to hear it presented every time—but it said something about Ozawa's taste and his rapport with the Opéra orchestra, and it did not preclude a superbly graded final crescendo.

The weakness of the production was that the minor members of the cast (apart from Jean Dupouy's enjoyable Aegisth) were allowed to make such a static contribution. The American stage director Seth Schneidman, who happens to be Mr Behrens, seemed content to hint at the destructive passions that have transformed many a tale of civilised family politics through the ages. Hubert Monloup's costumes medieval armour for John Bröcheler's weak Oreste, to sedate evening dress for Miss Altmeyer's glorious sounding but somewhat disembodied Chrysothemis.

The combination was as random as the set, which pitted the stone facade of an old Viennese mansion between two flanking columns of glistening black synthetic blocks. No matter: for once, *Elektra* was safely in the hands of its vocal and orchestral protagonists.

DV8/The Place

Clement Crisp

The Spring Loaded Festival, lately begun at The Place, is offering a season of New Dance, and on Thursday brought the work of the DV8 Physical Theatre to our notice. Th eprogramme is devoted to two dance-theatre pieces about sexual politics, the shorter and stronger of which is a male duet *My Sex, Our Dance*. It begins unpromisingly enough with the sight of Lloyd Newson depilating his leg while Nigel Charnock plays a toy saxophone, and a couple at the side of the dance area may be presumed to be eating in a restaurant.

From the implicit childhood nature of this opening, Newson and Charnock, as performers and choreographers, move into adolescence and then manhood, charting this journey, and their discovery of mutual dependance, through a movement language both daring and brazenly physical.

Their duet relies and feeds upon an exceptional physical rapport and acrobatic trust. Flinging themselves at each other, clinging, falling, they build up a structure fiercely energetic and emotionally raw: but there is never any doubt about the intensity of their feelings or the validity of their argument. And because of the brevity of the incident, and its dynamic clarity, we can believe in the relationship between the two men.

Deep End introduces the two women of the troupe, Liz Ranken (with a mane of hair and large boots) and Michelle Richecoeur, who join Newson and Charnock in a more obviously dramatic piece. At one moment Liz Ranken observes: "I feel a bit self-indulgent" and this is the flaw in the cascade of incidents and allusions about the war between men and women which is the thread that sags and strains under the pull of an undisciplined and over-emphatic study.

There are funny, biting, illuminating sequences, as in a preposterous coupling between Miss Ranken and Mr Charnock (complete with post-coital analysis) which is played against a duet for Miss Richecoeur and Mr Newson which is by turns gentle and angry: images of sexual prudery are hilariously evoked, and the battle for sexual supremacy. But there are also longeurs, and no evidence of a necessary editing of components. Reduced to about half its length, *Deep End* (off which the cast go with little concern for the dangers involved) could prove as valid as *My Sex, Our Dance*.

Nine jazz musicians form company to promote their work

Nine of Britain's foremost jazz musicians have formed a company, Jazz Directions, in order to improve the marketing of their music and are actively seeking a sponsorship funding of £70,000.

So far £7,500 has been committed by the Musicians' Union and by the Co-operative Advisory Group. In return for financial backing, spread over three years, the sponsor would obtain a range of benefits in association with the company and its activities. Among the main aims of the venture is to increase work opportunities and venues for musicians and also to achieve wider publicity for their work.

The nine are pianist Stan Tracey, trumpeters Ian Carr, Kenny Wheeler and Harry Beckett, saxists Tony Coe, Peter King, Evan Parker and Alan Skidmore, and singer Norma Winstone. Details from 440 7955.

The Alchemist/Royal Exchange, Manchester

Martin Hoyle

Alyson Spiro and Michael Feast

Fast, furious, physical and funny, Gregory Hersov's production of *The Alchemist* continues the Royal Exchange's run of hits. Those heretics like myself who sneakingly suspect Ben Jonson of being a prolix old show-off (he had the makings of a critic) can be reassured that for once the verbiage is clearly navigated, the reasoning lucid, the plot's threads easy to follow. And despite the swinging rhythm of the performance, the actors still have time to deliver individual lines hilariously: "So! You've eaten your gag!" (to the unhappy Dapper, confined in the privy); "Kiss her departing part" (to the same dupe, of the apparition of the fairy queen); and—snappishly to his servant, by a plague-fearing citizen—my favourite: "Breathe less!"

Unlike London's last eclectic *Alchemist*, at the Lyric, Hammersmith—and, indeed, many of the Exchange's own recent successes—Laurie Dennett's set and David Short's costumes remain roughly in period. Michael Feast's Subtle sports the ragged shreds of a Jacobean puff-breeched suit. Epicure Mammon (Nick Stringer) is a ringer for Charles Laughton as Henry VIII. Alyson Spiro's tawney-maned Dol suggests the feline, but of the undomesticated variety, as implied in those striped sleeves. Lit by Michael Calf in the mellow tones of a Rembrandt night scene, the set is dominated by furnace, bellows and retort, and overhung by a flickeringly-candled chandelier from which dangle cabbalistic signs.

As the chief trickster Mr Feast exudes nervous energy. He assumes nasal tones together with the doctor's gown to receive Dapper, staggers in a visionary fit at the scent of a victim, dodders as a bespectacled pedant for Surly and Mammon. He is prepared to strip to a loin-cloth to joint the Dutch puritans in a spot of new-style religion (both reveal knotted cords biting into their flesh). All this he does with unflagging attack, vigour and intelligence. It is no compliment to ask why Mr Feast is not in one of our great national companies (he has been); but with actors like this around one can only wonder why the RSC so rarely discovers Shakespearians who can pronounce English.

The production is robust, much of the humour and violence acceptably knockabout. Yet a sinister streak remains. The melting on the furnace of a naked female doll, kissed by Subtle, provides an impressive end to the first half, and reminds us of Jonson's reputed observation of the mysterious Dr Dee—coincidentally on view at London's Bush Theatre in Snoo Wilson's surrealist Elizabethan extravaganza, *More Light*. And characters too often treated as caricatures of greed and credulity suddenly echo the soaring arrogance and tragic audacity of Marlovian over-reachers.

As Face Jonathan Hackett displays a neatly deflationary gift for undercutting the rhetoric, as useful as the hump-backed Breughel *persona* he adopts when doorman to the thieves' kitchen. Expert support from Rory Edwards's Surly; a Millwall supporter *de ses jours* from Louis Hilyer's Angry Boy; a cheerfully ubiquitous accent (mainly Scandinavian) from Matthew Zajac's Ananias, though Roy Sampson's Tribulation sounds impeccably Dutch; and a stolidly innocent Drugger from Ian Hastings, placidly trotting on to be conned and prompting an audience "aah" usually reserved for dogs or children.

City of Birmingham Symphony/Barbican Hall

Dominic Gill

Simon Rattle's series at the Barbican with the City of Birmingham Symphony Orchestra continues to put the major part of London's orchestral music-making in the shade. The CBSO's concert on Thursday was a small miracle of precision, enthusiasm and dedication—it was in fact one of those magical, effortless evenings which flow with ease from first to last, every note and gesture in its place.

Their programme began with Schoenberg's Five Pieces for Orchestra op. 16—each delicate instrumental canvas perfectly defined, opulently (but deftly) coloured. Few orchestras these days can achieve performances of such close and agile focus; fewer still can make it speak so eloquently with such economy and warmth of feeling.

In Brahms's second piano concerto the partnership of Rattle with the soloist André Watts established a similarly radiant rapport in the opening bars. The phrasing, and the placing and pacing of gesture, was beautifully gauged: in the first movement especially, and in the finale, the expressive dovetailing was fautless. A calm and jubilant performance, sustained by just the right vein of high seriousness. I had not heard Mr Watt's Brahms before: but it commands respect.

After the interval, Rattle and the CBSO gave us Sibelius's fifth symphony: grandly proposed at the start, with broad and confident momentum, and at the final peroration lifted off into the cluds. I admired the subtle mix and contrast of pizzicato and bowed textures in the andante — not an easy balance to achieve. And in the finale, through all the slow swelling of subjects and counter-subjects, the winding up of tension was masterly. Sad to say we have to wait until May for the CBSO's next Barbican appearance.

Obituary/Andy Warhol

William Packer

Andy Warhol, the American artist, died in his sleep early yesterday morning after being admitted to hospital on Friday for surgery. He was, at 58, not just one of the most famous artists in the world, but a true international celebrity in the widest sense, known quite simply for who he was, by millions who knew nothing of his art.

There is, however, a wonderful irony in all of this, and Warhol was ever the consummate ironist. Everyone in the world, in his own famous dictum, should be a celebrity for 15 minutes, and he achieved his celebrity entirely by his work as an artist and sustained it over rather more than a quarter of a century.

He was born in Pittsburgh in 1928 of Czech immigrant parents of the name of Warhola. He studied graphic design in Pittsburgh, at the Carnegie Institute of Technology, in the years immediately after the war, and then moved to New York in 1949. He worked as a commercial artist throughout the 1950s, but already he was painting, drawing and making prints on his own account and occasionally showing and publishing his work. But it was to be the paintings he made of the Campbell's Soup Cans, which he showed in Los Angeles and New York in 1962, that catapulted him from obscurity to international recognition.

Those deceptively deadpan and secondhand images may have seemed to many at the time to represent no more than yet another cheap and cheeky bid for a quick notoriety and a quicker buck. The bid, such as it was, was certainly successful but it was no cynical piece of opportunism and exploitation of the gullible. Warhol, in common with many artists of his generation, both in Europe and America, had been working with imagery drawn from mass-produced, commercial and popular material for some years. He went further than most to distance his hand from the actual surface of his work, using the particular commercial processes of silk screen and photographic reproduction to that end.

It is to his work that we now look for so many of the great, the most memorable and characteristic icons of these past 20 years. The images he gives us so uncompromisingly, whether of Liz Taylor or Marilyn Monroe, the Queen or Chairman Mao, seem to stand not for themselves as individuals but as images of a public, abstract ideal, remote and essentially unreal, true icons. Such, perhaps, is the character of the age we live in, and the popular nerve he touched so deftly. Though in later years he was never to move beyond the impersonal in his work and chose never to remove the mask, his considerable achievement remains with us and will last.

Saleroom/Antony Thorncroft

Deadline for David

Sotheby's should attract the first big saleroom headlines of the year tomorrow when it sells, in New York, David's late painting of *The farewell of Telemachus and Eucharis*. The artist, who adapted his loyalties and style to the conflicting demands of a life which straddled Louis XVI, the French Revolution, Napoleon and the restoration of the monarchy, has become much admired in recent years, and this work of his Brussels exile delights art historians by being both classical in its subject matter but very suggestive in an overt Freudian way, with the sensuality of the lovers very thinly disguised.

Sotheby's describes it as "perhaps the most important continental painting of the 19th century to appear in the art market in recent years," and there is no question that the National Gallery in London would love to own it.

The problem is its price. Old Master paintings are generally ridiculously cheap but this museum piece is estimated at up to $3m and should go for much more. Its rarity, its decorative appeal and its historical importance make it a major event in the saleroom. Perhaps the most interesting fact is that when it last appeared at Sotheby's, in New York in 1950, it sold for just $3.950. How knowledgeable and broadminded we have become since then!

Arts Guide

Music/Monday. Opera and Ballet/Tuesday. Theatre/Wednesday. Exhibitions/Thursday. A selective guide to all the Arts appears each Friday.

February 20–26

Music

VIENNA

Franz Schubert Quartet. Haydn, Uhl, Brahms. Musikverein Brahms Saal (Mon).

Elisabeth Leonskaja, piano. Schumann, Schubert, Chopin. Musikverein. (Tue).

Vienna Symphony Orchestra conducted by Dmitri Kitaenko with Vladimir Krainjev, piano. Shostakovich, Prokofiev, Tchaikovsky. Musikverein. (Wed and Thur).

David Owen Norris, piano. Bax, Poulenc, Tippett. Boesendorfer Saal (6566 51). (Wed).

ORF (State Broadcasting) Symphony Orchestra conducted by Zdenek Koslar. Dvorak, Suk, Martinu. Konzerthaus (72 12 11). (Thur).

NETHERLANDS

Amsterdam, Concertgebouw. The Netherlands Philharmonic conducted by Thomas Sanderling, with Nelly Skolnikova, violin: Beethoven, Shostakovich (Tue). Charles Dutoit conducting the Concertgebouw Orchestra, with vocalists and choir: Berlioz (Wed, Thur). Recital Hall: The Raphael Quartet: Dutch chamber music (Mon). Michael Ponti, piano, Robert Zimansky, violin, and Jan Polasek, cello: Haydn, Saint-Saens, Tchaikovsky (Wed). (71 83 45).

Amsterdam, Meervaart. The Netherlands Philharmonic Chamber Ensemble under Istvan Parkanyi, violin, with Matthias Maurer, viola: Mozart, Barber, Haydn, Bacewicz (Thur). (10 73 93).

Utrecht, Vredenburg. The Netherlands Philharmonic conducted by Thomas Sanderling, with Nelly Skolnikova, violin: Beethoven, Shostakovich (Mon). The Radio Symphony Orchestra conducted by Lior Shambadal, with Hugh Tinney, piano: Macias, Mozart, Berlioz (Thur). (31 45 44).

PARIS

Rudolf Serkin recital (Mon). Salle Pleyel (45630796)

Ensemble Orchestral de Paris conducted by Jean-Pierre Wallez, Maurice Andre, trumpet: Handel, Vivaldi, Bach (Tue). Salle Pleyel (45630796)

Acousmatic Cycle: INA, musical research group (Tue, Wed), both at 6.30 pm and 8.30 pm at Radio France, auditorium 105, Free (45241516)

Jazz Bivouac (Wed) 8.30 pm Radio France, auditorium 106, Free (45241516)

Orchestre de Paris conducted by Daniel Barenboim, Isaac Stern, violin: Dutilleux, Schubert (Wed, Thur). Salle Pleyel (45630796)

LONDON

Royal Philharmonic Orchestra conducted by Walter Weller with John Lill, piano. Beethoven. Royal Festival Hall (Thur). Academy of St. Martin-in-the-Fields directed by Kenneth Sillito with Andrew Marriner, clarinet. Haydn and Mozart. Queen Elizabeth Hall (Thur).

London Philharmonic and London Philharmonic Choir conducted by Jesus Lopez-Cobos with Peter Donohue, piano. Beethoven. Royal Festival Hall (Mon). (928 3191).

London Mozart Players directed by Takayoshi Wanami, violin. Vivaldi, Bach and Mozart. Queen Elizabeth Hall (Mon). (928 3191).

Philharmonia Orchestra conducted by Janos Furst with Alfred Brendel, piano. Mozart, Haydn and Liszt. Royal Festival Hall (Tue).

BBC Symphony Orchestra conducted by Grant Llewellyn and Andrzej Panufnik. Mozart, Beethoven and Panufnik. Royal Festival Hall (Thur).

NEW YORK

Carnegie Hall, Salzburg Musici Oswald Sallaberger conducting, Nadja Salerno-Sonnenberg violin. Vivaldi, Handel, Bach, Mozart, Britten (Mon); Frankfurt Radio Symphony. Eliahu Inbal conducting, Minoura Njiima piano. Mozart, Mahler (Wed); Zoltan Kocsis piano recital. Mixed programme (Thur). (247 7800)

Chamber Music Society of Lincoln Center (Alice Tully): Charles Wadsworth artistic director, Colin Carr cello. Sinigaglia, Faure, Dvorak, Beethoven (Mon, Tue). Lincoln Center (362 1911)

Merkin Hall (Goodman House): Columbus Brass. Susato, Fux, Bach, Dahl, Previn, Graingar/arr. Price (world premiere), Forsyth, Glenn Lieberman (world premiere) (Mon); Group for Contemporary Music. Judith Bettina soprano, Tobias Picker piano with Times Square Bassset. Babbitt Berg Picker (world premiere), Debussy, Olan, Dallapiccola (Tue); New York Philomusica Robert Johnson artistic director. Mozart, D'Indy, Schubert (Wed); Peter Amstutz piano recital. Schubert, Steve Rush, Chopin, Ravel, Byrd, Debussy, Beethoven (Thur). 67th w. of Broadway (362 8719)

New York Philharmonic (Avery Fisher Hall): Maxim Shostakovich conducting, Mstislav Rostropovich cello Penderecki, Haydn, Tchaikovsky (Tue); Leonard Slatkin conducting, Philip Meyers horn. Beethoven, Mahler, Gordon, Jacob, Shostakovich (Thur). Lincoln Center (874 2424)

WASHINGTON

National Symphony (Concert Hall). Christopher Hogwood conducting, William Steck violin. All-Mozart programme (Thur). Kennedy Center (254 3776)

Kronos Quartet (Terrace): All-Robert Erickson programme (Wed). Kennedy Center (254 9895)

CHICAGO

Chicago Symphony (Orchestra Hall). Michael Tilson Thomas conducting, Garrick Ohlsson piano. Wagner, Wuorinen, Bartok (Thur). (435 8111).

ITALY

Rome: Teatro Olimpico (Piazza Gentile da Fabriano). Peter Lukas Graf (Flute) and Bruno Canino (piano and harpsichord). Bach, Handel, Mozart and Prokofiev. (Wed) (393304).

Rome: Teatro Ghione: (via Delle Fornaci, 37) John Kamitsuka, piano. Bach, Beethoven and Chopin (Thur) (6372294).

Rome: The British School at Rome (Via Antonio Gramsci 61): Accademia Chamberorchestra (formed of students from the conservatory of Santa Cecilia). Vivaldi, Mozart, Stamitz and Koussevitzky (Tue) (873424).

Rome: Oratorio del Gonfalone: (Via del Gonfalone 32/A): Virtuoso Ritrovo choir singing early church music (13th to 16th century) (Thur) (65.75.952).

FINANCIAL TIMES
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Monday February 23 1987

More rhetoric than action

IT IS difficult to get excited about the outcome of the Paris meeting between leading finance ministers. It is true that all of the participants — bar the Italians — ended up rather pleased with themselves. Last year's slanging match between the US on one hand and the West Germans and Japanese on the other is clearly a thing of the past. Mr James Baker, US Treasury Secretary, went out of his way to praise the surplus countries. West Germany and Japan, for their part, expressed pleasure at the tone of the rather bland final communique. The sweetness and light is admirable in itself; the question is whether it will actually help alleviate the world's grave economic problems.

These problems were thrown into sharp relief last week when Brazil announced the indefinite suspension of interest payments on its huge commercial bank debt. Brazil's inability to service its debt is partially a reflection of misguided domestic economic policies. But there is no denying that its difficulties and those of other big debtors — from Mexico and Nigeria to the Philippines — are also a reflection of the sluggishness of world economic growth. The slowness of growth in Japan and Europe is not just aggravating trade friction in the developed world; it is contributing to political and economic instability in the Third World.

Private pledges

Against this backdrop, the Paris communique looks a touch complacent. Ministers and governors have, of course, agreed to "intensify" their efforts to promote global growth and reduce external imbalances. But the commitments of individual countries are not all they might be. Japan, to be fair, says explicitly that it will "follow monetary and fiscal policies which will help to expand domestic demand"; cynics, however, will wonder whether Mr Kiichi Miyazawa, the finance minister, has the power to push through the necessary dramatic policy changes if Japan is to reverse quickly its 40-year dependence on export-led growth.

West Germany, disappointingly, is not even prepared to say it will try to boost domestic demand. It talks instead of micro reforms and of reducing still further the share of public spending in gross national product. Europe's jobless are unlikely to be electrified by West Germany's promise to cut taxes by more than expected next year. The West Germans may, of course, have made more substantive private pledges on growth to Mr Baker; if so, it is a pity they had to be so timid in public. Taking the communique at face value, it is hard to believe that world growth in 1987 will be raised even by half a percentage point as a result of the Paris talks.

Superficially at least, the finance ministers' commitment to exchange rate stability is more red-blooded. They state unequivocally that the present parities of the dollar, D-Mark and yen are broadly consistent with underlying fundamentals: in other words the markets have no excuse for further disruptive speculation. As usual, however, the governors and ministers are quite unspecific about what they will do if the markets decide to challenge their wisdom.

Explicit zones

This is unfortunate because a challenge is quite probable. At the time of the Plaza meeting in autumn 1985, it was universally agreed that the dollar had to fall further. Ministers could grandly announce this as a policy objective with no fear of getting egg on their faces. There is no corresponding consensus today that the dollar is at the right level. Professor Martin Feldstein at Harvard believes that the dollar must fall by another 20 per cent against the yen and D-Mark.

The worry about Paris, however, is not just that the finance ministers may have misjudged the dollar's equilibrium value but that comparatively little substantive progress was made in developing permanent mechanisms for economic co-operation. It is a particular pity that greater efforts were not made to explore French and US ideas about explicit currency target zones. It is good to see more amiable relations between the world's leading finance ministers but the Paris agreement to agree is no substitute for concrete reforms and more domestic measures to correct imbalances.

No remedy for the farm crisis

BANKRUPTS ARE apt to reach for desperate remedies to keep the bailiffs away, without much regard for the long-term consequences. So it is with the European Commission's latest farm policy proposals, and especially with its controversial and short-sighted plan for a tax on edible oils and fats—due to be tabled formally before EEC Agriculture Ministers today.

The Commission has been struggling for almost as long as its officials can remember to make ends meet, in view of rampant growth in farm spending; the EEC budget looked bust for most of last year, and is in even worse shape for 1987. Efforts to curb the Common Agricultural Policy's voracious appetite for money through price pressure have repeatedly failed, so Mr Frans Andriessen, the farm commissioner, has been forced to look for new ways of feeding it.

Continuing excesses

This year's price proposals represent more of the same: if Mr Andriessen has his way, the price-cutting momentum will be maintained, and the search for new sources of revenue to fund the CAP's continuing excesses will be stepped up with the oils and fats tax.

Mr Andriessen's continued emphasis on bringing EEC farm prices more closely in line with the world market level is welcome, as far as it goes. But even before ministers dilute his plans, there is little doubt that the small price cuts he has proposed will stimulate farmers to increase their ouput in compensation, rather than reduce it. The race between improving crop yields and a tightening cost-price squeeze will continue. Farmers have already taken many of their planting decisions for this year; the moves under consideration will only exert a significant influence on EEC harvests in autumn 1988.

What still seems to be lacking is any sense of a long-term strategy for European agriculture in an international environment that appears more hostile by the day. Mr Jean-Claude Paye, secretary-general of the Organisation for Economic Co-operation and Development, spelt out the problems in a harshly - worded confidential memorandum at the end of last month: agricultural trade is flat, or falling; world supply is growing twice or three times as fast as demand; public spending on farm support is at record levels almost everywhere; farm incomes are declining; the result is a dangerous increase in international economic tensions, and a proliferation of trade practices that the OECD terms "scandalous and ruinous." The fundamentals are likely to remain bleak, it says, for the next 10 years.

Against this background, it is scarcely comprehensible that the Commission should propose a new measure to raise money for agricultural support. The oils and fats tax — while applicable both to domestically produced and imported oils — is certain to aggravate trade frictions even more, at a time when the EEC and the US have just averted a major row over American grain sales to Spain and Portugal, and when members of the General Agreement on Tariffs and Trade are supposed to have agreed to refrain from fresh trade-distorting measures. Washington and an impressive array of developing countries which produce vegetable oils have protested at Mr Andriessen's plan.

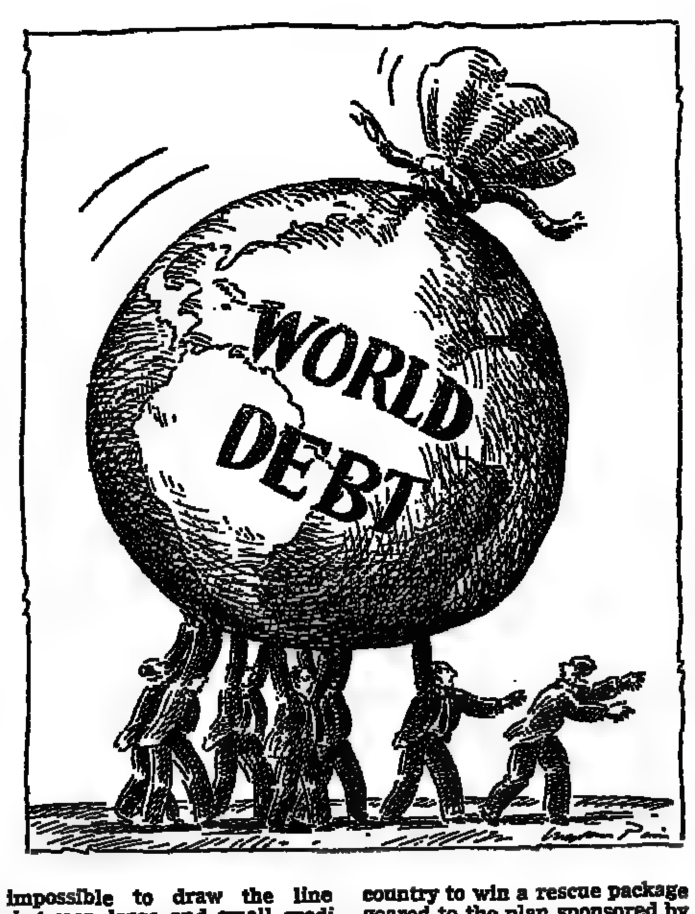
Fundamental issue

Just as importantly, the proposal sidesteps the fundamental issue, which is that excessive resources are being devoted to agriculture, both by taxpayers and consumers, and that this is a serious drain on other parts of the economy. Simply transferring some of the burden from the EEC budget to the European consumer will not do, even if it eases the Commission's short-term funding problems.

Hardly anybody is pure when it comes to agricultural protectionism. But the fast is, according to the OECD's calculations, that the EEC subsidises its farmers directly and indirectly to a greater extent than most other important agricultural producers. At the very least, it should do everything in its power to avoid aggravating the short-term problems. Better still, the Commission and such recalcitrant EEC member states as France and West Germany would show some sign of readiness to co-operate in the sort of concerted long-term restructuring of world agriculture being called for with increasing urgency by the OECD.

WORLD DEBT

When the bankers become restive



By Alexander Nicoll

AFTER MORE THAN four years grappling with the debt crisis, bankers and government officials must have had a sinking feeling of *deja vu* when Brazil suspended payments to foreign creditors on Friday.

Since Mexico first ran out of money in August 1982, they have faced a series of cash crunches among large developing country debtors. Each has forced a now familiar pattern of emergency measures, followed by the long and exhausting process of negotiating new loan and rescheduling packages.

Every crisis appears more severe than the last. In the latest, the sudden contraction of Brazil's trade surplus and the collapse of its economic plan have made it the first major country formally to suspend interest payments.

One senior London banker likens the process to a game of Monopoly: the debtor country passes "Go" and receives £200, but the money is scarcely adequate when he moves round the board and lands on Mayfair. Then it all begins again.

It has become tougher and tougher to keep the game going. Bailed out three times between the onset of the crisis and 1985, Mexico ran into trouble again last year. It won significant concessions from the International Monetary Fund and other creditors, marking a watershed in the handling of the debt problem. However, the bank loans, which were a key element of the rescue package, have still not been signed because smaller bank creditors are reluctant to participate. A conclusion now appears to be near, however, with nearly 97 per cent of the $7.7bn committed.

Brazil's sudden deterioration comes at a time when, partly as a result of the Mexican loan, the international banking community's approach to troubled debtor countries seems to be in disarray. The manner in which Brazil is handled will thus be a crucial test which could set the pattern for some time to come.

Mr Lionel Price, head of the Bank of England's international division, said recently that an element of weariness had crept into negotiations between banks and debtor countries. If that is so, it would not be surprising. With each crisis, bankers have faced months of negotiation, conscious throughout that concessions would set precedents for dealing with other debtors.

It can be a soul-destroying business. The high-flying dealmakers, who originally made the loans to Third World countries, have moved on to newer markets, leaving the rescheduling experts to deal with the mess.

The approach since 1982 has been one of prolonged crisis management. Creditors, governments and individual commercial banks have been asked repeatedly to lend fresh money and reschedule existing debt on market-oriented rather than concessionary terms.

The aim was to help debtors keep up on interest payments—avoiding losses so huge they could have threatened the world's banking system—and to pave the way for debtors to receive voluntary loans, once confidence in their economies was restored through IMF-supervised adjustment programmes. The granting of new loans with phased disbursements was designed to provide an incentive for debtors to adjust.

The process has, however, been undermined. Although some countries, such as Chile, have adhered to IMF programmes and fulfilled their obligations, others have objected to the stringencies involved. Peru has essentially broken relations with the Fund, and consequently with other creditors. Brazil's Government has steadfastly refused to adopt an IMF - sponsored programme. Countries like Brazil and Mexico, which appeared to be making economic progress, have slid back into difficulties. The prospect of banks resuming large-scale lending that is not "forced" — that is, required as part of a rescue package — has been pushed further beyond the horizon.

The position of the banks has changed considerably. Many, though by no means all, have made significant provisions against their Third World exposure or have sold off loans into the secondary market at a discount. They see no reason why they should continue to put up new loans. Extending loans on which provisions for losses must immediately be made is not viewed as sound banking.

Many no longer feel a strong compulsion to lend in order to preserve the world's banking system from collapse. That possibility has receded since the early days of the debt crisis.

In addition, it is becoming ever more difficult to persuade small banks to come into the rescue packages. Since banks are typically asked to put up new money in proportion to their exposure to a given debtor in 1982, many which have since written off or reduced their exposure see no reason to participate. It has always taken months after agreement has been reached among leading banks to bring in the smaller ones. But the current cases of Mexico and Nigeria have led to concern among some bankers that delays are lengthening.

The compulsion to lend to save the world banking system from collapse is no longer so strong

Some large banks feel privately that smaller creditors should now be let off the hook. They agree with Argentina, which last week proposed a system of "exit bonds" to allow the one-third of its bank creditors which account for just 1 per cent of its bank debt to escape their exposure.

Few bankers, however, will go on record with such a recommendation. They fear that, since it would be virtually impossible to draw the line between large and small creditors, only the largest banks would be left to work out debt problems. They would be highly exposed and with limited political clout.

The cracks in the united facade which has characterised the banks' handling of the debt crisis is not, however, confined to the small banks.

Within the advisory committees of top banks which negotiate with debtors, there has been a series of sharp disagreements. In particular, Citicorp—the largest US bank and the leading bank protagonist in its role as chairman of the negotiating committees for five Latin American countries—has adopted a toughened stance. This has made it unpopular, not only with debtor governments and US officials, but also among its fellow banks.

Citicorp appears still to be smarting from Mexico's agreement. Mexico was the first country to win a rescue package geared to the plan sponsored by Mr James Baker, US Treasury Secretary, who advocates more lending to enable debtors to grow their way out of debt.

From the IMF, Mexico obtained a precedent-setting agreement. This tied the amount of money to be lent to Mexico's economic growth and export receipts. From the banks, which also participate in the contingency arrangement, Mexico won a rescheduling agreement with a lengthened 20 years maturity, and a margin of just 13/16 percentage points over money market rates for interest payments — well below previous levels.

In tense meetings at the time of last year's IMF meeting in Washington, Citicorp made plain its reluctance to go along with these conditions. It agreed only under strong pressure from Washington.

Citicorp may have been concerned that a rash of agreements with easier terms would severely affect banks' profitability. It also believes that terms must be acceptable to banks in order to ensure that they will participate in Baker Plan-type lending, and to prepare for their eventual return to voluntary lending on market-related terms.

Immediately afterwards, Mr William Rhodes, the Citibank official who chairs the Mexican advisory committee, warned that Mexico's terms should not be seen as a precedent. Debtors would continue to be treated on a case-by-case basis, he said. But other countries, such as the Philippines, have naturally seized on the Mexican terms as a benchmark on which to negotiate.

As if to underline its point, Citicorp has taken an obdurate line in two negotiations in which it is not the chairman. In both cases, the negotiating committees are headed by Manufacturers Hanover Trust, another New York bank.

Until a consensus was reached last Wednesday, Citicorp opposed a precedent-setting request by Chile to make interest payments once instead of twice a year—a move which could be seen as a step towards capitalisation of interest, which banks have so far rejected.

Citicorp also held out for months against a sharp easing of rescheduling terms offered to the Philippines. That country's talks look set to be extremely tough when they resume next month.

Some bankers say Citicorp's line is undermining its authority on the advisory committees. "A lot of banks are very fed up with Citibank," says one London banker. "There's a feeling that Citibank only likes the solutions that it thinks of itself."

A New York banker echoes this feeling: "It's not a question of widespread dissent among the advisory committees. It's just one bank that is causing it. The other banks feel the system is not perfect, but no one can come up with a better alternative."

These bankers say Citicorp's approach has become impractical by contrast with the pragmatic consensus seeking which marked negotiations in earlier years.

Yet even if bankers disagree about the handling of individual problems—a growing number is coming round to the view that longer-term solutions to the debt crisis may be required—they are almost certain to agree that Brazil's case underlines what most of them have been saying for the past four years.

Brazil's refusal to adopt an IMF programme, which has been a tenet of President Jose Sarney and Mr Dilson Funaro, his finance minister, was less important to bankers while the country was recording large trade surpluses.

But it has always been vulnerable to adverse developments. When the trade position was deteriorating earlier this year, creditor governments meeting under the auspices of the Paris Club conditionally agreed to reschedule some 1987 debt payments without an IMF agreement, but only after the intervention of the US Government.

To bankers, who are now almost certain to face a request for a large loan and rescheduling, the speed of the deterioration in Brazil's economy serves to underline the need for an IMF-supervised economic programme.

What remains unclear, however, is whether President Sarney will be able to bite the political bullet and return to the IMF. The outcome of Brazil's latest crisis will depend heavily on politics—not only in Brazil but also in the US, where top Government officials have been stepping up pressure on banks to speed up their lending.

Major debtors at a glance

MEXICO $100bn debt
$43.7bn being rescheduled, new loan of $7.7bn still to be advanced; fourth restructuring in four years. Fall in oil prices undercut economic progress. Historic rescue package under the Baker plan, last year but Commercial bank element yet to be completed.

BRAZIL $102bn debt
$6.7bn rescheduled last year. Sharp deterioration in trade position led to cash shortage. Has refused IMF agreement. New loans and rescheduling terms likely to be sought soon.

PHILIPPINES $20bn debt
$2bn rescheduled and $925m new loan agreed in 1985. Discussions with banks on $3.6bn rescheduling about to start.

ARGENTINA $50bn debt
$14.2bn restructuring in 1985 and $3.7bn loan. $2.1bn loan being sought and $30bn rescheduling from commercial banks after agreement with IMF and World Bank.

NIGERIA $22bn debt
New Baker plan package involves commercial bank loan of $320m. and $1.5bn rescheduling but bank deals still to be completed. Uncertainty over uninsured trade credits.

PERU $14bn debt
Failure to keep up interest payments to IMF has made it ineligible for further IMF credit and prevented other negotiations.

Men and Matters

Entrepreneur keeps his wings

Atlanta, home of the late Martin Luther King, is regarded by many as the spiritual capital of black America, so there has been more than usual interest in the financial troubles of Air Atlanta, which has become a symbol of black entrepreneurship.

The airline, a sparrow compared with its Atlanta rivals like Delta, started flying three years ago and attracts up-market business travellers by offering wider seats, fancy meals and free drinks. It is the brainchild of Michael Hollis, a 33-year-old black lawyer who learnt about Wall Street during a stint at Oppenheimer & Co. But, while he has been very successful in raising funds for his airline the venture has hit several pockets of financial turbulence.

North Carolina Mutual Life, the biggest black insurance company in the US, and the National Alliance of Postal and Federal Employees, whose membership is mostly black, helped provide the early seed money, and General Electric Credit Corporation leased the aircraft. When they refused to inject extra capital, Air Atlanta turned to Aetna Life and Casualty and Equitable Life Insurance, two of the biggest US insurers, which earmarked a sizeable chunk of their "socially responsible" funds for the fledgling carrier.

Equitable, which is said to have sunk $35m into the airline, hired its own investment bank, Donaldson, Lufkin and Jenrette, to try to find a buyer for Air Atlanta, but to no avail. Earlier this month, as Air Atlanta landed in yet another financial crisis, Harry Kimbriel, an American Airlines veteran, who had been hired by Equitable to keep watch on its investment, resigned as Air Atlanta's president and chief operating officer after mounting an unsuccessful attempt to strip Hollis of some of his powers.

The resignation of a seasoned airline manager like Kimbriel has upset several investors. But just as the airline seemed on the brink of grounding its fleet, E. F. Hutton, the Wall Street broker which is in need of some good publicity after its recent well - publicised problems, stepped in and wrote a cheque for $3.5m to keep it aloft.

This time, Hollis has Bill Cosby, the popular black comedian, to thank. In between starring in his weekly "Cosby Show," Bill Cosby appears in E. F. Hutton's TV commercials, and he put in a good word for Hollis with Robert Rittereiser, Hutton's new chief executive.

"I do wish you wouldn't use Parliamentary language in front of the children"

Samuel stays

The smart new investment banking structure unveiled by Midland Bank today almost spelt the end of one of the City's oldest banking names: that of Samuel Montagu and Co, Midland's merchant banking subsidiary.

When Ernst Brutsche, the chief executive of the investment banking sector, set about preparing Midland for the Big Bang, he needed to pull together Midland's treasury business, Samuel Montagu and Greenwell (the stockbroking firm acquired by Midland) into a single group.

This group was named Midland Montagu and it was thought for tidiness's sake that Samuel Montagu should be renamed simply Montagu and Co but this proposal did not go down very well at Samuel Montagu where they have a strong sense of history. (Rather confusingly, the bank was formed in 1832 by one Montagu Samuel.)

They were particularly alarmed when the Midland house newspaper carried a story as recently as a fortnight ago saying that name change was going through. Finally Brutsche was persuaded that the name had a value which was worth preserving. So Samuel Montagu and Co is to live on.

Christopher Sheridan, chief executive of the merchant bank, tells me there is considerable relief, especially since the bank was recently appointed adviser to the Government on the flotation of Rolls-Royce and British Steel using its old name.

In the picture

The BBC's governors have decided that it might be a good idea if they were put in the picture about likely future developments in television. So they have turned for help not to their own well-staffed organisation but to outside experts in the new media of cable and satellite television.

In an unprecedented move, the BBC governors and board of management have arranged for a special briefing when they meet this week to review the corporation's next five years and what reforms may be necessary.

They will be helped by Andrew Quinn, managing director of Granada Television and co-ordinator of British Satellite Broadcasting, the DBS franchise holder, who will be able to warn of the extra competition coming from satellites.

Jon Davey, director general of the Cable Authority, will be on hand to describe how, in homes equipped with cable television, the new channels are already capturing up to 28 per cent of viewing times. The new media trio will be completed by Charles Levison, joint managing director of Super Channel, the British broadcasters' satellite channel now broadcasting to Europe.

If the governors have not reached agreement by then, on a new BBC director general, I am sure they could get some advice about that as well.

Political heat

Franz Josef Strauss has a perfect right to sit in the West German Bundestag in Bonn. It is just that for the past four years he has not wanted to. Unable to be Foreign Minister because that seat is occupied, he preferred to retreat to Munich, Bavaria, where he is in charge of everything.

Now, after last month's election, he has to decide again whether to go to Bonn or stay at home. Because there does not seem to be any job big enough for him on offer, the betting a week ago was that he would turn his back on Bonn again. But a terrible thing has happened.

The Greens have just got into the Bavarian parliament for the first time, much to his annoyance. And now the Green women have begun to demand access to the State Parliament's previously male-only sauna on at least one day a week. Even worse, the obedient, conservative women in Strauss's own party like the idea too and have joined forces, temporarily, with their younger and more scruffy sisters. The Social Democrat women in the parliament, trying to outbid them, are saying one day a week is not enough.

Should the women get their way, it might be enough to drive the portly Strauss out of Munich.

Observer

FOREIGN AFFAIRS

What the West failed to notice

By Ian Davidson

IN THE current propaganda game between the Kremlin and the White House, the Kremlin seems consistently to be able to take most of the tricks.

But there remains an unresolved debate in the West whether the conciliatory face of Communism presented by Mr Mikhail Gorbachev is mainly a public relations ploy, or whether it is a genuine manifestation of a fundamental shift of Soviet policy, notably towards the rest of the world.

In Europe, there is a tendency to give Mr Gorbachev the benefit of the doubt. Earlier this month Mr Hans-Dietrich Genscher, West German Foreign Minister, said: "Let us take Mr Gorbachev seriously. Let us take him at his word." In the US, by contrast, there is a greater tendency to emphasise the traditional view that the Soviet system is, by its nature, inherently threatening and aggressive; the presentation may have changed under Mr Gorbachev, but the threat to Western interests remains, and it is a threat which is ultimately military.

Naturally, this debate is not likely to be settled any time soon, and perhaps it cannot in logic be settled: the Soviet Union has become a superpower, and however pacific its current objectives, the eventual resort to military force cannot be ruled out for all time. Nevertheless, Mr Gorbachev repeatedly tries to persuade the world that there has been a profound change in Soviet objectives, as he did last week at the "peace forum" in Moscow.

"I state with full responsibility," he said, "that our international policy is more than ever determined by domestic policy, by concentrating on constructive endeavours to improve our country. This is why we need lasting peace, predictability and constructiveness in international relations."

Mr Gorbachev's dominant theme was the need to reduce and eventually eliminate nuclear weapons.

What made the speech so striking was the contrast with what is going on in Washington. While the Soviet leader was setting out a broadly philosophical argument on international relations, nuclear weapons and the role of arms control, the US Administration was engaged in what appeared to be the final phase of an internal struggle over whether to conduct some Star Wars tests in defiance of the Soviet Union.

Under the 1972 Anti-Ballistic Missile treaty, the two superpowers foreswore any nationwide defence against ballistic missiles, and accepted strict limits on the testing of new defensive systems. Enthusiasts for President Reagan's Star Wars now want to play ducks and drakes with the spirit of the treaty, by claiming the right to a broad interpretation of the letter, so as to be able to conduct experiments which are, on the face of it forbidden.

It is not entirely clear why they think this tactic will serve their cause. A spectacular experiment in space might sustain popular support for the Star Wars programme. But a gambit transparently tailor-made to scupper any chance of a major arms control deal with the Soviet Union must rissk running into serious opposition

Europe tends to give Mr Gorbachev the benefit of the doubt

from the Democrat-controlled Senate.

Nevertheless, the struggle is causing manifest concern both in Western Europe and in the Soviet Union. The British Government, for one, has made it crystal clear that it does not hold with the broad interpretation, and in Moscow last week Mr Gorbachev accused the Americans of seeking to undermine the ABM treaty. "When the treaty is annulled," he went on, "the nuclear missile race will acquire new dimensions and will be complemented by the arms race in outer space."

Your red-blooded Reaganite will not be impressed by this sort of stuff. A speech is just a speech, and propaganda is propaganda; obviously the Russians want to padlock President Reagan's Strategic Defence Initiative programme, but America cannot make its security contingent on what the Russians want. It is all very well for the Soviets to talks about nuclear weapons as if butter would not melt in their mouths, but we all know that Soviet military doctrine is firmly based on taking the offensive, using all arms.

Well, perhaps we do all know that, but perhaps what we *know* is incorrect because it is over 20 years out of date. A new study by an American strategic analyst argues that the Soviet Union's real doctrine on nuclear weapons, so far from being gung-ho, gives top strategic priority to the need to avert intercontinental nuclear war and to the desirability of arms control, and has done ever since a fundamental doctrinal decision was taken in 1966.

If this argument is even approximately *correct*, it casts an extraordinarily brilliant light on the evolution of the Soviet Union's arms control position in the two years since Mr Gorbachev came to power, and especially on the Reykjavik summit.

It would not, of course, prove that the Soviet Union is not a military threat to the West; on the contrary, it could imply that the Soviet *conventional* threat to Western Europe is potentially even more serious than we had supposed. But it might prompt a second look at Mr Gorbachev's Reykjavik plan for elimination of all strategic nuclear weapons which, so far from being naive and insincere, might fit neatly with underlying Soviet doctrine.

Michael McGwire, the author of Military Objectives in Soviet Foreign Policy,* is a distinguished strategic analyst at the Brookings Institution in Washington. The essence of his thesis is that December 1966 was a watershed in Soviet military doctrine. Before that date, it was held that any world war would *inevitably* involve intercontinental nuclear exchanges; after that date, it was believed that a world war would not *inevitably* involve intercontinental nuclear exchanges. It seems a small shift, but it has immense operational implications.

If strategic nuclear exchanges are unavoidable in a world war, the Soviet Union must be in a position to attack US missiles in their silos as soon as war itself is seen to be unavoidable: and that means *having a very large missile* force. If on the other hand strategic nuclear exchanges are not unavoidable, the top priority for the Soviet Union must be to avoid the devastation of the homeland, and that entails a set of very interesting consequences.

First, the Soviet Union only needs enough missiles to deter the use of American strategic missiles. Second, it has a clear interest in negotiating, through arms control, the lowest possible ceiling on the American strategic arsenal. Third, it has a clear interest in strengthening and structuring its conventional forces so as to be able to take out Nato's nuclear weapons in Europe and, through a high-speed blitzkrieg, drive the Americans out of Europe.

The evidence for Mr MccGwire's thesis is pretty recondite stuff, mostly related to subtle changes in successive editions of key Soviet works on strategy, and I am not qualified to pass judgment on the details. But the general thrust of his argument prompts a number of comments.

First, the idea of a Soviet watershed in 1966 is entirely compatible with what was going on in the West. At that time, Nato was laboriously shifting its strategy from "massive retaliation" to "flexible response," which was an early euphemism for American reluctance to contemplate the use of nuclear weapons in Europe. That reluctance must open up the possibility that war might stop short of intercontinental nuclear exchanges.

Second, Soviet generals (like Marshal Ogarkov) may feel they must prepare to fight and win a nuclear war, because that is

In the US, the traditional view of aggressive Soviets still holds

their job. But few Western experts are confident that it would be possible to fight a *controllable* nuclear war, and it would be surprising if the Russians had a magic solution to a problem which has so far eluded their Western opponents. Indeed there is some evidence that Ogarkov was sacked precisely because he insisted on arguing the case for a nuclear war-fighting strategy.

Third, MccGwire's thesis is certainly compatible with the intensity of Soviet opposition to Nato's new Euromissiles, because they could threaten the Soviet homeland *from Europe*. Hence Moscow's apparent readiness to negotiate away all such missiles in Europe.

Fourth, one of Nato's main anxieties now is that modern short-range missiles will give the Soviet Union the capability to attack Western targets with conventional warheads, thus heightening Nato's nuclear dilemma.

MccGwire claims that the two superpowers resonate to two very different models in seeking to prevent another world war. For the US, the key model is Munich and World War Two: *stand up to the enemy*. For the Soviet Union, it is Sarajevo and World War One: take political steps to avoid situations of tension, in which a chain of events can lead ineluctably to conflict.

Such metaphors are bound to be imperfect. What is undoubtedly true is that the US has over the years shown the greatest inconsistency in its attitudes towards arms control; and this may be because the attempt to combine the co-operative assumptions of an arms control negotiation with the confrontational assumptions of an anti-Munich posture is likely to be inherently unstable.

MccGwire claims that the Soviet Union has been much more consistent towards arms control. I am not sure, but you would be hard pressed to find any government in Western Europe which would have greater confidence in Washington's current arms control policy —if it were not for the fact that this is our superpower.

** Military Objectives in Soviet Foreign Policy by Michael MccGwire, Brookings Institution, $39.95.*

Lombard

All the parties are wrong

By Samuel Brittan

WINSTON CHURCHILL made a famous remark that democracy was a very bad system, but other systems were worse. In the run-up to an election, we receive frequent reminders of the first part of his remark.

We have on the one hand a British Government, which is prepared to put in jeopardy the hard won gains of low inflation and sustainable growth. It is likely to do so by cutting taxes and reducing interest rates at a time when home *demand is growing more than* enough in the absence of these stimuli.

Greenwell Montagu has just pointed out that according to the doctrine enunciated by one Nigel Lawson, when an aspiring Financial Secretary to the Treasury, the Chancellor should make no tax cuts at all. Unfortunately, both the Lawson speech and the Greenwell bulletin and much financial comment generally, are based on the PSBR ratio about which one can argue indefinitely. It would be much simpler to argue in terms of demand.

The only reason that so-called Keynesian demand management was inflationary is that it was conducted in real terms, ignoring inflation. There was, and is, nothing wrong with demand management as such.

You might think that the *Opposition* parties, which do not have this hang-up on Keynes, would be enjoying themselves, talking about financial profligacy—knowing that they would merely have to condemn what the Government is doing. But no. Their main disagreement with the Government is just that they want more public spending instead of tax cuts.

Unfortunately, the Alliance differs only in degree from Labour in preferring collective spending to spending by individual citizens of their own income. *One does not have to* be a fanatical Gladstonian to believe an ample amount of public goods and of income redistribution can be provided from the 44 per cent of the national income that even the Thatcher Government promises to devote to public expenditure.

The Opposition parties say that public expenditure pound for pound creates more jobs. This is the mirror image of the even more fanatical insistence of US-style supply-siders that tax cuts will have this effect.

It is difficult to see why a pound spent by a private citizen should produce more or fewer jobs than a pound spent by government. The argument *against private spending* is supposed to be that it leaks into imports and promotes jobs in other countries. But *private* spending in other countries such as Japan and Germany—which are much better able to afford tax cuts — leaks into spending on British goods.

It was only a little while ago that critics of European fiscal austerity argued for "supply-side friendly" expansion of demand. By this they meant, in part, that demand stimuli should take the form of tax cuts, especially of marginal rates, and that joint international action would see that import leakages cancelled out. The only thing that has changed is that Britain, which has not been guilty of fiscal austerity since privatisation was invented, is no longer a country which needs demand stimulation at all, as the sensationally bullish February CBI survey demonstrates.

Unfortunately Alliance speeches in favour of public rather than private spending rely on model simulations in which the former appear superficially to provide more jobs. They ignore all important "*technical*" *explanations*, for example, in the February London Business School Economic Outlook: "The properties of the model are such that the favourable effects of a policy shock wear off after a time." In other words any job benefits are temporary; and in a few years unemployment returns to a level determined by the characteristics of the labour market.

Some highly selective expenditure directed at the long-term unemployed might improve these fundamental characteristics of the labour market. So more assuredly would a break-up of traditional collective bargaining as advocated by Mr Kenneth Clarke. But job creation does not justify a general preference for either public or private spending, which should be determined by fundamental political values.

Letters to the Editor

A national curriculum

From Patricia Wright

Sir, — While hydroponics—standardised feeding of measured doses of predetermined nutrients—works well enough in the mass propagation of house-plants, I find it hard to believe that a national curriculum will do much towards producing generations of hi-sci entrepreneurs.

I have also noticed that people I meet who favour a national standard curriculum as the way to national economic health, also urge the importance of parental choice in education to meet the needs of the individual child—and their own children often need to attend independent schools. So perhaps the problem lies in a flourishing "two nations" philosophy of national education, rather than in the lack of one.

I happen to believe that a more important influence on national educational attainment is the national system of social values; it does seem significant that West Germans consider it about twice as important as the British to develop in children qualities like a feeling of responsibility, independence, and determination. In addition, they rate a sense of leadership eight times more highly than we do. But do we want to discourage Britain's greater commitment to unselfishness (rated 10 times higher here than in West Germany), tolerance and respect for others (50 per cent), good manners (ditto, approx) and obedience?

Patricia Wright
7 Whison Place,
Oxford

Teacher status

From Mrs D. Rawson.

Sir,—I endorse the views of Mrs Pat Clayton (February 18) in response to the review by Joe Rogaly (February 11 and 12) on British education. I refer, in particular, to the apparent failure to realise that teaching, wherever it is needed, is held in contempt by British society, and not least in the universities from which some new teachers are expected to come. Neither legislation nor even extra money can, by themselves, now generate the enthusiasm and respect that we had in abundance in the 1930s.

We cannot put the clock back, even if it were appropriate, after such vast change. But there is no virtue in continuing to ignore the unalterable fact that time and skill spent on new generations is the most important investment of all and will not be realised without some personal sacrifice by all concerned. The whole environment for this delicate plant is now hostile. I speak as one who experienced the chronic social disadvantages of a *deprived* area in the 1930s, softened only by the high quality and commitment of the teachers in state schools. It was a privilege for which a price in personal terms had to be paid for the opportunity to compete by candle-light for the rare chance of scholarships in a remote rural area. I owe almost everything I have enjoyed to this one highly charged opportunity.

(Mrs) Dilys Rawson.
37, The Drive,
Amersham, Bucks.

Investment is not a driving force

From Mr R. Jones

Sir,—May I suggest to Mr MacLean (February 18) that he has the wrong end of the stick in his views *vis-a-vis* the economies of Calcutta and West Germany. Surely there is little investment in Calcutta because it is an economic disaster area rather than the other way round. Likewise after the war the West Germans were sufficiently educated, disciplined and determined to rebuild their economy to know that if they were to succeed they had to create and maintain adequate investment.

To me it seems obvious that while the lack of adequate investment can certainly inhibit growth, it does not work the other way round. Investment is not a driving force in itself and pouring it into the economy will be about as effective in producing growth as pushing on the end of a piece of string unless the motivation and the intelligence to make good use of it are already present.

R. H. Jones.
7 Maple Avenue,
Manchester.

Popular since 1251

From the Leader, Bolton Council

Sir,—Bolton's reputation as a centre of excellence in the north-west was laid down in 1067 but 900 years later your Munich correspondent (Reebok stays several steps ahead of Puma — February 17) has obviously not learned his history or his geography as he believes this thriving centre of trade and industry has crossed the Pennines and is now in the depressed north-east!

Bolton has been a popular north-west market town since 1251. It was the centre of the cotton industry and witnessed the birth of Crompton's Mule and Arkwright's Spinning Jenny and was the birthplace of the first Lord Leverhulme.

The decline of the cotton industry was not the end of Bolton—it has changed with the times and attracted major new industries to the town and so to the north-west.

Typical is the Reebok factory and the company's decision to set up its administrative and marketing headquarters for the rest of the world outside the US in Bolton. Many other household and international names also have their UK operations based in the north-west and Bolton and more are poised to come to the town. Please do not turn our signposts around!

(Councillor) R. L. Howarth.
Town Hall, Bolton, Lancs.

Attitudes to TV

From the President, National Viewers' and Listeners' Association

Sir,—Having been aware, over many years, of Christopher Dunkley's opposition to our work and of the way in which he takes every opportunity to misrepresent it, I was not the least bit surprised to read his comments (February 18) on C4's research into public attitudes to the "red triangle" warning symbol.

This found that 86 per cent of viewers are glad to have a warning of offensive material. The viewers concerned in C4's survey were not asked if they approved of the material in such programmes, but whether they were grateful for the warning that they could avoid the offensiveness it contained.

I know how anxious he is—as he always has been—to spread the idea that we "represent a very small minority." It has become something of an obsession with him and it leads him into strange arguments. He criticises us for showing only short extracts of the C4 films. He must know that no MP woul. have had the time to sit through films of that length and our only option was to do precisely that.

I'm so glad he agrees with us about Themroc. As far as "The Singing Detective" is concerned, I agree entirely that it was in many ways an outstanding film. However the violent, explicit intercourse scene enacted before the eyes of a young boy did, as many other critics noted, break new ground and made nonsense of the obligations under which the BBC is supposed to operate in relation to "good taste and decency" and we allow those controls to be swept away at our peril. Furthermore it was shown at a time when many immature youngsters are still watching but that does not seem to concern Mr Dunkley in any way.

Mary Whitehouse.
Ardleigh, Colchester, Essex.

Lecturers' pay

From Mr G. Bernard

Sir,—The proposed increase in university lecturers' pay has been misleadingly reported (February 12). Presented in the usual way as a percentage increase of the previous year's salary, the offer is equivalent to 5.3 per cent from April 1986 (but not paid till March 1987), 10 per cent from April 1987 and 6 per cent from March 1988. Despite the large sums of extra government money and despite the newspaper headlines of large increases, in only one of those years does the rise exceed the norm of 6 per cent to 7½ per cent. This offer does little then to compensate for several years in which lecturers' pay has risen less than that of comparable groups. It will also do little to halt the "brain drain" of academics overseas.

Worse still, inadequate though it is, this settlement is not, as far as one can judge the figures, being fully funded by the Government. That means that the financial squeeze on the universities will intensify. The worst consequence of that will be a further reduction in the number of posts that the most brilliant young graduate students can compete for — and that after years of dearth. In my subject, between 1981 and 1986 the total number of historians at UK universities fell from over 900 to under 800 and just 33 historians were appointed to lectureships. Inevitably there will be less money to spend on books, and more time-consuming and agonising committee meetings at which diminished resources are painfully redistributed. The demoralisation of the universities will continue.

George Bernard.
Department of History,
The University,
Southampton, Hants.

FINANCIAL TIMES

Monday February 23 1987

Roderick Oram on Wall Street

Close watch on the watchdogs

A COMPLIANCE officer's lot is not a happy one at the best of times and these are not. Self-policing by Wall Street's finest is being called into question by insider trading scandals, and a rising tide of evidence that some employees and perhaps a few firms have broken laws in their pursuit of profits.

Ever reluctant to talk, some compliance officers are becoming outright reclusive as the scrutiny has intensified. "We have hundreds of them but we won't even tell you how many," a major Wall Street firm replied tantalisingly to a request to interview just one. "We have never discussed in 18 years the role of our compliance officers," declared a second firm.

Any officer feeling unjustly blamed for failing to curb Wall Street's excesses could take some comfort from the guarded verdict of the watchdogs. "By and large they are doing a relatively good job, which is not to say they could not do better," said a senior official of the Securities and Exchange Commission.

Standards vary, however, officials admit. Aggrieved parties have already begun to file damage suits against firms which they allege applied scant supervision to aggressive employees during Wall Street's takeover boom. Some compliance officers will have to defend their procedures from the witness stand.

Recent scandals have inevitably prompted reviews by firms and regulators resulting, for example, in last week's move by the New York Stock Exchange to place a greater burden of self-policing on its member firms. It stressed that they were the industry's first line of defence against illegal acts which undermine the integrity of markets.

Compliance officers would be the first to agree with the rule makers that the rapid growth in recent years of trading volume, variety of investment products and services and cross-border transactions is straining the internal supervision and compliance procedures of many firms.

The pressure is showing up in two main ways – on people and on trading systems, says the chief compliance officer of a leading Wall Street firm. Fast growth has drawn large numbers of young, inexperienced people into firms. "We have enhanced our training programmes to educate and sensitise them to what is right and wrong," he said. On the trading side, his firm's legal and compliance departments have drawn up detailed rules to add to the firm's compliance manual.

Each firm's manual differs but they all lay down the rules of the firm and self-regulating organisations and laws of the land. Stock exchanges require, for example, that employees must do their personal trading through their own firms or, if they use outside brokers, pass on full trading records to their employers, who must review them for conflicts of interest.

Firms and stock exchanges have invested millions of dollars in computer systems to try to catch employees trading outside the net. Compliance officers, typically lawyers, former regulators of staff who have had administrative careers in the firm, enforce these requirements on staff and broader ones on their companies concerning, for example, adequate capital ratios and timely financial reports.

"Sometimes it's thankless, and the more successful you are, the more likely you are to be taken for granted," says one compliance officer. Rather than play the heavy-handed cop though, the most successful approach, he adds, is to "cultivate the feeling that you are part of the team by showing them how to do the maximum business inside the rules."

One of the greatest difficulties a compliance officer faces is a lack of support from senior management, who, for example, might be loath to fire a highly successful trader. Regulators say this is becoming a less frequent problem as executives are growing more aware of the jeopardy in which they would place their firms.

Overall, a lack of supervision is the most common reason for the breakdown of self-regulation in a firm. Typically, procedures have been drawn up but applied haphazardly, if at all. When the Securities and Exchange Commission decides that an illegal act by a firm or its employees indicates a systematic failure of self-regulation rather than an isolated incident, it orders the firm to call in outside advisers to conduct a comprehensive review of the firm's compliance system. About a dozen such orders are made each year.

Despite these failures, most people in the securities industry and regulatory authorities argue that the present self-policing mechanisms require only further improvement rather than a comprehensive overhaul.

Damascus moves to assert its authority despite Gemayel objections

Syrian troops enter West Beirut

BY NORA BOUSTANY IN BEIRUT

SYRIAN TROOPS yesterday entered West Beirut in force yesterday in a decisive move by Damascus to assert its authority over war-ravaged Lebanon and bring to an end the anarchy which last week devastated the heart of the predominantly Moslem sector of the city.

Despite the objections of President Amin Gemayel, the largely powerless Christian head of state, about 4,000 Syrian regulars including units of the elite Special Forces backed by columns of tanks converged on the city along two main roads from the mountains in the hinterland

The intervention was requested by leading Moslem politicians including Mr Rashid Karami, the Prime Minister, following the bitter struggle for supremacy in West Beirut.

Militamen of the mainly Druze Progressive Socialist Party in alliance with left-wing groups have defeated the mainstream Shia movement, Amal.

Brigadier Ghazi Kanaan, Syria's chief of military intelligence in Lebanon, issued a stream of ultimatums warning militiamen to clear the streets, abandon confrontation lines and release hostages.

With the unchallenged thrust into the city, the Syrian army returned in force to West Beirut for the first time since the Israeli invasion in 1982.

After taking control of Beirut airport on the southern outskirts of the city, the troops occupied the seafront districts and the commercial centre around Hamra Street, which saw the bitterest fighting between the Druze and Shia militias.

The Israeli Government was watching the situation closely. Mr Yitzhak Rabin, Minister of Defence, said that it was opposed to a Syrian presence in West Beirut but would only react after a careful study of the situation.

More than 200 people were killed in six days of fierce battles between the militias in West Beirut last week.

Syria's decision to send thousands of troops to West Beirut, where Arab, Israeli and Western armies in turn have tried and failed to keep control during Lebanon's 12-year-old civil war, is a calculated risk.

The move has antagonised Christian leaders. It is likely to be viewed with concern by Palestinian guerrillas and with suspicion by pro-Iranian militiamen.

The US, Arab moderates and the Soviet Union have given cautious nods to Syrian peace efforts in Lebanon in recent months.

Syrian troops were bogged down in Beirut for six years after they halted fighting in 1975-76. With Arab support for their role eroding, they were forced out by Israeli invaders in 1982.

Syria has avoided direct intervention, preferring to influence events through its allies in Lebanon.

The rise of Iran's influence and the growing strength of the Palestinian guerrilla movement, which has been locked in combat with the Syrian-backed Shia Amal militia, are likely to have prompted President Hafez Assad to order military intervention.

Mr Walid Jumblatt, the Druze chief, and Mr Nabih Berri, leader of Amal, agreed to the Syrian intervention after protracted discussions in Damascus.

The Iranian-linked Hizbullah, or Party of God, which is believed to hold most of the 26 foreign hostages missing in Lebanon, is not too happy with a Syrian takeover.

Beirut's war-worn population watched the return of the Syrians with a mixture of relief and apprehension. Unbearable living conditions in the shadow of gun law in a city that was once a playground for a carefree crowd of cosmopolitans make the mission of any effective force necessary, at least for now.

Few people were out on the streets to greet the Syrians with rice and flowers. The Syrians were back in force for the first time since Israeli troops invaded Lebanon in the summer of 1982.

Damascus' agreement to re-enter the Lebansese swamp is partially motivated by its desire to block any possible gains by Palestine Liberation Organisation chief Yasir Arafat on the political scene. A four-month old yet inconclusive camp war between Shia militiamen ringing Palestinian refugees and fighters is at the root of Syria's final resolve to come back to Beirut in a major way, according to political observers here.

By sundown, steel-helmeted Syrian soldiers had taken up positions by the side of the Beirut International Airport runways, dug up trenches, fanned out in main arteries around the Palestinian camps on Beirut's southern edge and other sectors of the embattled city for what appeared to be a long stay.

EEC foreign ministers launch debate on Delors proposals

BY QUENTIN PEEL IN BRUSSELS

THE GREAT debate on the future financing and policies of the European Community, designed to make the rich member states pay more and the Common Agricultural Policy cost less, was launched last night at a "closed doors" meeting of EEC Foreign Ministers.

The sweeping proposals submitted last week by Mr Jacques Delors, the European Commission President, in the European Parliament, were given a first broad and generally sceptical review by the 12, with major net contributors such as West Germany and the UK particularly cautious.

Only the certainty of a long and agonising negotiation emerged from the discussion – with a first detailed debate by Foreign Ministers set for April, and few expecting a conclusion before mid-1988.

The complex package, involving a shift in the burden of financing to the wealthier member states like the Netherlands and Denmark, as well as West Germany, much stricter controls on farm spending, and a doubling in the size of social and regional funds, contains costs and benefits for all.

Initial British calculations suggest that, in spite of a continuing budget rebate system and a more wealth-related calculation of contributions, the net British Budget contribution (after rebate) could still virtually double from the present Ecu 1bn ($1.1bn) to some Ecu 1.9bn. The UK would remain the second largest net contributor after West Germany, they indicate.

Sir Geoffrey Howe, the British Foreign Secretary, last night put most emphasis on the need for much more stringent expenditure control, and action to cut the cost of the CAP. While he insisted that the problem of EEC food surpluses was only part of a worldwide problem of overproduction, he stressed the need to bring Community prices closer to world prices, and use public intervention buying only in emergency cases.

The immediate EEC budget gap in 1987 – currently estimated at around Ecu 4bn – should be financed within the present ceiling on budget contributions, which would mean very large savings from the current farm price review, he said. EEC Farm ministers meet to discuss ways of reducing dairy costs again totay.

The foreign ministers asked Mr Delors to put forward much more detailed proposals on how to control the cost of the CAP in each individual sector, and they did not seriously begin to discuss his ideas on a change in the whole basis of budget contributions.

His plan would include a measure of relative wealth based on gross national product, alongside the present value added tax formula, customs duties and agricultural levies, in the calculation of budget payments from each national capital.

Any move to change the present 1.4 per cent Vat formula would automatically reopen the question of Britain's reduced budget contribution, painfully negotiated by heads of Government in Fontainebleau in 1984.

Editorial comment. Page 14

Europeans to discuss spacecraft project

By Peter Marsh in London

FOUR of Western Europe's leading aerospace companies are to meet in Rome next month to discuss collaboration over producing a new kind of reusable space vehicle for early next century.

The two-day meeting, set for March 16 and 17, has been instigated by British Aerospace, which is anxious to find European partners for its Hotol (Horizontal Take Off and Landing) project.

Hotol is a plan to produce a reusable space-going aircraft that would take off and land using an ordinary runway to reduce greatly the costs of lifting into orbit satellites and other payloads.

British Aerospace, which is conducting studies on Hotol with Rolls-Royce, believes the correct way to develop the vehicle is through an industrial partnership. The other participants at the Rome gathering, all of which have expressed some interest in Hotol-like vehicles, will be Aeritalia of Italy, Aerospatiale of France and Messerschmitt-Bölkow-Blohm of West Germany.

The British Government, which has contributed a third of the £3m cost of a preliminary UK study into Hotol, shares the British Aerospace view. Mr Geoffrey Pattie, the Industry Minister responsible for aerospace, is anxious for the Hotol scheme to become a fully fledged European project under the auspices of the 13-nation European Space Agency.

According to estimates, Hotol would cost a total of £4bn to develop. It is envisaged that Britain would contribute no more than about a quarter of this sum, with other European governments providing the rest.

The vehicle could be flying in the early part of next century, as the next generation of European satellite launcher following the French-inspired Ariane rockets.

Hotol would be powered by a revolutionary form of air-breathing engine, which, during the early stages of the vehicle's ascent, would enable it to dispense with conventional rocket propulsion. This would cut enormously the weight of fuel the craft would have to take into orbit.

Mr Peter Conchie, director of business development at British Aerospace, defended Britains decision not to release to the public details of how this engine would work.

Paris accord seeks stability

Continued from Page 1

kets in order to stabilise currencies at around current levels. The officials described this US commitment as "critical."

Mr Baker, however, was noncommittal on whether the US had given a specific promise to join in concerted intervention to stabilise the dollar. He stuck to his long-standing position that he would never comment on such matters.

There were also indications that US co-operation in promoting stability on currency markets is dependent on firm evidence of faster growth in Japan and West Germany over coming months.

Yesterday, Mr Gerhard Stoltenberg, West German Finance Minister, pledged to increase the tax reductions that his Government had already fixed for 1988. He indicated, however, that the complex negotiations on the establishment of the coalition Government in Bonn precluded a pledge to introduce earlier tax reductions.

Japan promised to push ahead with the implementation of measures proposed in its current budget and to prepare additional action to promote faster growth once the budget had been approved by its parliament.

Italians threaten to cancel June summit

Continued from Page 1

meetings whenever the management or the improvement of the international monetary system and related economic policy measures are to be discussed and dealt with."

In the Italian view, this wording leaves no room for doubt that both the Italian and Canadian ministers should have been part of the ministerial group on Saturday. Mr Giovanni Goria, the Italian Finance Minister, left for Paris on Saturday carrying written instructions from Mr Craxi to pull out of yesterday's meeting if it appeared that the Five were "precooking" an agreement for rubber-stamping in the Group of Seven.

"It was clear that a meeting was going on without us," said Mr Goria yesterday. Italy had been "discriminated against" and he personally felt "bitterness" about the turn of events, he added.

According to a senior Italian official France and Britain are largely responsible for frustrating the Tokyo agreement. "The reality is that the G5 has become a group of three because all of the negotiating before the weekend has been done bilaterally between the US and Japan and the US and West Germany," said the official.

He believed that both France and the UK feared that a group of seven would be run by a directorate of the US, West Germany and Japan which would make their influence on events as marginal as that of Italy or Canada.

With a general election on the horizon, Mr Craxi has been making much of the new economic strength and image in the world which Italy has acquired under his 3½ year premiership.

The weekend's events are not only a serious personal setback but also packed with irony since Mr Craxi himself is currently being accused of failing to honour agreements. Last week, he cast doubt on whether he would hand over the premiership to a Christian Democrat in April as required under a political deal made last July.

In any event, it is virtually certain that the Socialist leader will not be at the Venice summit as Prime Minister, and this may have diminished his personal interest as to whether it takes place.

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F
Ajaccio	F	18	58	Dubrovnik	R	9	48	Malta	F	15	59	Rhodes	F	17	63
Algiers	C	10	50	Edinburgh	C	7	45	Manchester	C	7	45	Rio de J'o	S	30	87
Amsterdam	C	5	41	Faro	F	11	52	Manila	S	33	91	Rome	F	7	45
Athens	S	15	59	Florence	F	8	46	Melbourne	F	18	64	Salzburg	C	2	36
Bahrain	S	22	72	Frankfurt	C	1	34	Mexico City	S	23	73	San Francisco	S	5	41
Bangkok	S	33	91	Funchal	F	19	66	Miami	S	20	68	Seoul	S	5	41
Barcelona	S	9	48	Geneva	C	3	37	Milan	S	7	45	Singapore	S	31	88
Beirut	–	n/a	n/a	Gibraltar	S	15	59	Montreal	S	-13	9	Stockholm	S	-2	28
Belfast	C	7	45	Glasgow	S	7	45	Moscow	C	-3	27	Strasbourg	Sn	1	34
Belgrade	C	8	46	Guernsey	C	5	41	Munich	C	2	36	Sydney	S	31	88
Berlin	D	-1	30	Helsinki	S	0	32	Nairobi	F	28	82	Taipei	C	16	61
Biarritz	C	4	39	H. Kong	C	18	64	Naples	R	6	43	Tangier	–	—	—
Bombay	S	31	88	Innsbruck	C	2	36	Nassau	C	28	82	Tel Aviv	S	29	84
Bordeaux	C	2	36	Inverness	C	5	41	New Delhi	S	25	77	Tenerife	S	23	73
Brussels	Sn	2	36	Islamabad	C	22	72	New York	S	5	41	Tokyo	C	6	43
Budapest	C	6	43	Istanbul	C	17	63	Nice	F	10	50	Toronto	C	-5	23
B. Aires	–	n/a	n/a	Jakarta	R	30	86	Nicosia	S	20	68	Tunis	F	14	57
Cairo	S	24	75	Jersey	C	5	41	Oporto	S	10	50	Valencia	S	10	50
Cape Town	S	22	72	Jo'burg	S	25	77	Oslo	S	-1	30	Venice	S	6	43
Caracas	C	26	79	Lima	S	26	79	Paris	C	0	32	Vienna	F	6	43
Casablanca	C	20	68	Lisbon	–	n/a	n/a	Peking	C	4	39	Warsaw	C	2	36
Chicago	F	2	36	London	C	6	43	Prague	C	1	34	Washington	S	-1	30
Cologne	Sn	-1	30	Los Angeles	F	10	50	Reykjavik	C	1	34	Zurich	Sn	0	32
Copenhagen	S	4	39	Luxembourg	C	-1	30								
Corfu	S	15	59	Madrid	S	6	43								
Dallas	C	7	45	Majorca	C	9	48								
Dublin	C	5	41	Malaga	S	13	55								

Readings at mid-day yesterday:
C-Cloudy D-Drizzle F-Fair Fg-Fog H-Hail R-Rain S-Sun Sl-Sleet Sn-Snow T-Thunder

Brazil attempts to allay fears on debt decision

Continued from Page 1

ers to leave foreign ports both to boost national stocks and to avoid possible sequestration moves.

Details of the move on interest rates were given to some 200 foreign bank representatives by Mr Gros at a hastily summoned meeting in Sao Paulo on Saturday. The central bank president said that the freeze on payments would hit all loans of 360 days or more.

Short-term lines, trade credits, capital and dividend remittances and debts held by the Paris Club group of sovereign creditors are not to be affected. However, uncertainty exists in a number of areas.

For co-financing deals involving loans made in conjunction with the World Bank, for example, payments will be made. But those who have lent independently to World Bank schemes may find their interest withheld.

The money to be retained by the central bank will attract interest but only at a rate to be defined in the forthcoming negotiations. This will then be backdated to January 1.

Although all the Brazilian political parties have backed the interest rates suspension President Sarney is already confronting opposition to his plan to cut Government expenditure.

THE LEX COLUMN

Redemption through sin

For US investment banks the nightmare may have only just begun. The shock of tears and handcuffs is already giving way to a lingering fear that the industry's legendary lobbying clout has been fatally undermined by scandal.

The uncertainty surrounding the future of Donald Regan, White House chief of staff and the senior investment banker in government, is appropriately symbolic and (echoing the UK) the Administration is desperate not to appear soft on its supposed chums on Wall Street.

Capitol Hill is said to be closely considering whether risk arbitrage is really a business for takeover advisers. It was already, before Boesky, pondering legislation curbing hostile bids, outlawing greenmail, and tightening disclosure requirements. The SEC has asked for and will certainly get a one-third increase in its budget. There is even talk of a public inquiry into investment banking.

Also, while one might assume that scandal encourages more not less regulation there is, ironically, a chance that one of the greatest obstacles to rational financial deregulation – the Glass-Steagall Act – may be further weakened by recent events. For the act which has separated commercial from investment banking for half a century, and which is now almost universally regarded as anachronistic, has been most lovingly guarded by those new political pariahs, the investment bankers.

Paralysis

Reform of Glass-Steagall has been a classic victim of the legislative paralysis induced by special-interest politics. The act has been eroded at the edges by the courts and deregulations minded regulators. Nevertheless it still prohibits commercial banks from being "principally engaged" in underwriting "ineligiable" securities – the most important being corporate bonds and equities – because of the now discredited belief that such comingling of lending and underwriting led to the great crash.

The belief that the act places commercial banks at a disadvantage in relation to foreign competition (especially following liberalisation in London and Canada) was given new force when Goldman Sachs went for its capital to the Japanese commercial bank Sumitomo. The argument that the Act reduces risk to depositors has also been undermined by the commercial banks' increasing concentration in illiquid and low quality corporate lending (thanks to securitisation) and dangerous Third World exposure.

The top dogs among investment banks have meanwhile enjoyed a balance-sheet growth without quite the deterioration in credit quality suffered by growth-obsessed commercial banks like Continental Illinois.

Any notion that the Glass-Steagall divisions were bedrock, part of the regulators' conceptual equipment, has moreover been swept away by Gerald Corrigan, president of the New York Fed, who has managed to think through a provisional post-abolition framework without so much as mentioning the act by name.

Thus the Senate will once more address the question early next month as part of the Competitive Equality Banking Bill. It is not the blockbuster banking bill that many commercial and central bankers believe is necessary to replace the present ramshackle framework, but it would provide all commercial banks with new underwriting powers for municipal revenue bonds, mortgage-backed securities, mutual funds and commercial papers.

Horse-trading has already delayed the bill by two weeks and most observers believe it has close to no chance of passing through Congress intact. Indeed the current $64bn question is whether the whole bill will be dropped to ensure passage for the urgent recapitalisation of the Federal Savings and Loan Insurance Corporation or whether reformers can use that refinancing as a lever to hang on to a few other clauses.

However, several commercial banks are also pursuing the same limited Glass-Steagall revisions through the increasingly exasperated Federal Reserve Board, which is expected to rule in their favour in April. At that point the investment banks will appeal and the issue will slowly climb to the Supreme Court.

There is of course no logical link between the barriers imposed by Glass-Steagall and insider dealing, although some commercial banks will no doubt try to argue that the protected market creates a "clubby" atmosphere in which criminality can thrive. Some investment bankers will – paradoxically – be eager to support this view; they stress that without the act commercial bank depositors might now be facing losses arising from lawsuits against an investment banking arm, as well as being permanently exposed to a wider range of conflicts of interest.

The latter claim neglects the fact that investment banks are already both lenders and underwriters and that the important Chinese wall lies within, not between, investment and commercial banks. As with investment banks, the risk of cross-infection (and thus the exposure of public money) in commercial banks would be minimised by the Corrigan proposal to regulate separately the different subsidiaries of a commercial bank holding company.

Evolution

Previous rounds of deregulation have shown, however, that new entrants rush to compete in areas that are sparsely populated with good reason. If second-tier commercial banks ran full-tilt into the issuance of junk bonds, there would shortly be no more margin left in that business than there is in the industrial loan books that these same banks are trying to run down. For all that, the more disinterested investment bankers concede that reform is inevitable, and support evolutionary change in the hope of preserving a balance between competition and safety.

Messy evolution is in fact just what is happening – it is after all just as easy to lose money in Government securities as in corporate bonds – and given the difficulties of creating a coalition for radical reform (especially given the opposition of the commercial companies with financial interests) muddling through may be the best that can be expected. Unless of course an investment bank faces collapse as a result of a lawsuit, in which case a shotgun wedding with a commercial bank might have to be arranged. The subsequent cross-breeding of Polish loans with insider-trading provisions should be enough to keep the regulators in full employment.

FINANCIAL TIMES
Monday February 23 1987

INTERNATIONAL BONDS

Hopes of a more stable dollar help to lift performance of issues

IT WAS a brave Eurobond dealer who was prepared to put his money where his mouth was at the end of last week while the market's fate hung in the balance ahead of the weekend finance ministers' meetings to discuss possibilities for economic co-operation and currency stabilisation, writes Clare Pearson in London.

Since dealing was desultory on Friday, the market had plenty of time to ponder the different directions it might take in the coming days.

As far as the Eurodollar sector was concerned, the dilemma was that any firm agreement at the weekend to support the dollar should lead to a rally while disagreement, or empty statements of intent, could send it sharply lower.

The "we've heard it all before" school of thought, which implied a continuing wariness about Eurodollar bonds, seemed the most prevalent on dealing floors on Friday. There were others, however, who detected a distinctly firmer tone.

Indeed, the hope of a more stable dollar seemed to help the trading performance of some of the new issues. Those for SEK and GMAC, for instance, which had looked tightly priced at the outset, achieved small gains while a 10-year deal for the World Bank was trading well in spite of initial nervousness about its long maturity.

In the secondary market Eurodollar prices were maintaining their gains at the close although retail buyers were still barely sighted.

Elsewhere, Euroyen dealers were certainly not looking for selling opportunities on Friday – even after the Japanese authorities had announced a ½ point cut in the discount rate to 2½ per cent, effective from today.

The basis of their bullishness was the strong and sustained appetite for Euroyen bonds among Japanese investors. This was reflected in last week's new issues, many of which were longer-dated, and for the supranational and sovereign names that Japanese investors favour.

Diversification into Euroyen bonds has become self-fuelling because a growing investor base encourages more and better quality new issues while this core of bonds further stimulates demand. Euroyen issue volume has stepped up significantly in the first weeks of this year.

One of the reasons for the abundant Japanese interest in the Euroyen market has been the desire to limit currency risk. This has been particularly stimulated as the financial year approaches its end on March 31. All this is combined with a certain disenchantment with the Japanese government bond market, where yields have been driven ever lower recently so that at one point last week the benchmark No. 89 bond touched a low of 4.68 per cent. By investing in a Euroyen bond instead, an investor can pick up around 50 basis points.

Some dealers said another factor was speculation that there would be a change in the tax treatment of domestic bonds. The alteration which investors fear is the disallowance of "coupon laundering" – the practice of reducing the tax liability on a bond by selling it to a tax-exempt institution during the period when coupons are paid.

The one worry hanging over Euroyen dealers is that the market may have peaked. It has certainly suffered a recent correction after a tremendous run since the beginning of this year, during which the most popular issues have achieved price gains of around 3½ points.

At any rate, its resilience is likely to be tested in the coming days since a volley of deals is expected although limited swap opportunities make any "jumbo" issues unlikely.

Dealers in the D-Mark market, like their colleagues in the other sectors, where little inclined to trade actively on Friday, and price changes were mixed in low volume.

In their free time, however, some could not help being assailed by nagging fears about what might lie in wait for them when they returned to their desks this morning. Any stabilisation of the dollar would draw fire from the D-Mark market, which flourishes on currency speculation.

Longer-dated Euro-DM bonds seemed to have fallen out of favour. On Friday, a recent 15-year deal for Austria was quoted as low as four points below its issue price, as was a 10-year issue for the province of Quebec.

Last week's new issues generally fared better as they were for shorter maturities and were reasonably priced. A five-year deal for Avis, for instance, met good demand as did a five-year issue for the Central Bank of Turkey.

While fixed-rate dealers were pondering the currency markets last week, Eurodollar floating-rate note (FRN) specialists were contemplating a further crash in the perpetual FRN sector.

Dealers were wondering if a price floor could ever be established for these bonds and if they counted as debt instruments at all. The essential problem is that they have no maturity date and have many of the characteristics of equity, though not the upside.

Earlier this year there were hopes that a price floor of around 90 would emerge, a level at which zero coupon bonds could be tacked on to them, ensuring repayment after a given number of years. This was not an idea which investors readily accepted, however.

The latest downturn in the market seemed to be a delayed reaction from an earlier wave of Japanese selling as dealers tried to pass on paper they had bought a few weeks ago. Although prices of most of the issues for UK clearing banks did not fall as far last week as they had at the end of last year – the first shake-out in the sector – issues such as the Lloyds Bank series 3 were bid at around 88.

The number of market makers in the perpetual FRN market has now dwindled to 10, and dealers say that only the UK clearing bank issues are really traded.

In the conventional FRN market the first classic FRN of the year surfaced. This was for American Express Bank and seemed to meet fair demand. The market was generally nervous following rises in short-term interest rates and the fall in the perpetual sector.

In Switzerland last week prices were lower to unchanged, with investors increasingly reluctant to take on low yielding paper in the primary market.

The SFr 100m issue for the World Bank, announced on Friday, was unusually led by Citicorp Investment Bank and Shearson Lehman rather than one of the "big three" Swiss banks which lead the main bond syndicate.

EUROMARKET TURNOVER
Turnover ($m)

Primary Market	Straights	Conv	FRN	Other
US$	4,147.9	–	28.0	4,317.4
Prev	2,343.5	645.7	65.0	3,543.5
Other	3,931.5	4.3	480.5	315.3
Prev	2,134.4	446.5	–	202.7
Secondary Market				
US$	27,215.3	1,999.4	17,307.0	5,856.7
Prev	21,537.8	1,941.2	15,649.5	5,419.5
Other	15,229.0	486.9	3,501.6	10,136.3
Prev	19,190.7	587.9	3,649.5	10,577.6

	Cedel	Euroclear	Total
US$	19,435.0	41,436.7	60,871.7
Prev	14,796.4	36,270.4	51,066.8
Other	17,542.9	19,544.5	37,087.4
Prev	15,915.1	21,144.2	37,059.3

Week to Feb. 19, 1987 Source: AIBD

EURONOTES AND CREDITS

Japanese interest for Fuji deal

BY ALEXANDER NICOLL IN LONDON

THE announcement of a $100m Eurocommercial paper programme for Fuji Photo Film may have sent a few shivers through the market last week.

There are clear signs that Japanese banks as well as securities houses are showing growing interest in a market from which they have so far held back. This is likely to heighten competition in a sector which is already tough and has many more players than the much larger US commercial paper market.

Among the five dealers for Fuji Photo are two Japanese bank subsidiaries alongside Nomura International, the arranger. They are Bank of Tokyo International and Mitsui Finance International. The others are Algemene Bank Nederland and Merrill Lynch Capital Markets.

It is only since October that banks have been allowed to act as dealers on ECP programmes. With their corporate customers increasingly turning to it as a source of short-term funds, they are bound to want their share of dealerships. Securities houses have been quietly building a presence, though it is still limited. Nomura, for example, has about 10 dealerships so far.

Finland's United Paper Mills has mandated Citicorp for a $100m eight-year multiple option facility including a $30m revolving credit with a 6.25 basis point facility fee for four years and 7.5 thereafter, with interest set 12.5 basis points above Libor. Citicorp also completed its $1bn syndication of a renegotiated facility for Electricité de France and increased a Pirelli deal from $75m to $100m.

Dixons Group, the UK retailer, has arranged a £200m multioption facility through Barclays de Zoete Wedd, including a £75m standby credit with an underwriting fee of 5 basis points – though this will initially be 3 basis points because the credit will be "unavailable." The maximum spread over Libor will be 12.5 basis points, with a 2 basis point utilisation fee.

The $385m facility for Federal Express was heavily oversubscribed and may be increased.

Spanish banks funnel funds to ailing utility

SPANISH BANKS have provided Fuerzas Electricas de Cataluna SA (Fecsa), the finanically troubled electricity utility, which Pta 24bn ($186.7m) to help it overcome its debt crisis, Reuter reports from Madrid.

A spokesman for one of the five banks involved in the operation said the move "will provide Fecsa with badly needed funds, and it is also a gesture of goodwill."

The bank pool bought part of the debt owed to Fecsa by Empresa Nacional Hidroelectrica del Ribagorzana (Enher), the state-owned electricity company, as a result of a Pta 600bn asset swap signed last year among Spain's leading utilities.

The government-backed swap transferred nuclear power plant holdings and other assets from financially weak companies to stronger ones.

Enher agreed to pay Fecsa Pta 36bn over a three-year period. It has already paid one yearly instalment, and the rest has been acquired by the banks to hand over to Fecsa.

The Madrid stock exchange suspended trading in Fecsa shares on February 6 while the company's 100 domestic and foreign creditors renegotiated the company's Pta 594bn debt.

● As a result of an error in processing, a report in last Thursday's Financial Times on delays in the syndication of a loan to Hidruna stated that Fecsa's difficulties were typical of the Spanish electrical utility sector. It should have made clear that Fecsa was not typical of the industry.

Top jobs at Fermenta go to outsiders in board changes

BY SARA WEBB IN STOCKHOLM

FERMENTA, the deeply troubled Swedish chemicals and antibiotics company, announced further changes in its senior management at the weekend.

Mr Kjell Brändström, managing director of Industrivärden, the Swedish investment company which is the largest single shareholder in Fermenta, has stepped down as chairman of the Fermenta board and will leave the board on March 10. Mr Bert Sjölin will take over as chairman.

Mr Ulf Lignell, deputy managing director of Götabanken, will leave his post as Fermenta vice chairman on March 10.

Götabanken has had to make heavy provisions this year for doubtful loans to both Fermenta and Mr El-Sayed, the former driving force behind the company, and Mr Lignell admitted that it had been difficult to represent both Fermenta and Götabanken at the same time.

Mr Bo Söderberg, the acting managing director of Fermenta and a senior executive at Industrivärden, will be the new vice chairman of Fermenta, and Mr Bertil Holmberg is the newly appointed managing director.

Mr Brändström said he was leaving the board so that he could move away from the day-to-day running of Fermenta and concentrate instead on running Industrivärden and on finding a new industrial partner for Fermenta.

"Industrivärden is not the ideal owner for Fermenta, there is no synergy effect and we do not know the business," Mr Brändström said.

Industrivärden is discussing whether or not to split up Fermenta. Fermenta's plant protection subsidiary in the US is one the few profitable parts of the Fermenta group and made a pre-tax profit of $20m in 1986.

Mr Sjölin is chairman of Munksjö, the forest products and investment group, and has been a member of the Fermenta board since December 30 1986.

Mr Holmberg is credited with restructuring the Swedish department store Ahlens and putting it back on its feet while he was the managing director.

INTERNATIONAL CAPITAL MARKETS and COMPANIES

US DIESEL ENGINE MAKER SEEKS TO BOOST SALES

Cummins drive to restore profit

BY NICK GARNETT IN COLUMBUS, INDIANA

CUMMINS, the US diesel engine maker which made a $102m net loss last year on sales of $2.3bn, has set itself a target of restoring profit margins to about 5 per cent of sales by the end of next year.

The world's largest independent engine maker, it is operating at break even.

Mr Henry Schacht, Cummins chairman and chief executive officer, conceded, in an interview at the company's headquarters in Columbus, Indiana that the goal of achieving its profit margin targets by the end of 1988 depended on demand. "It could be sooner or later," he said.

"I am quite optimistic about intermediate prospects over the next few years. We have been through a long process of restructuring based on the belief that markets are flat and highly cyclical."

The changes include the introduction of the B and C series engines in the 55 to 250 horsepower range in a deliberate move to reduce dependence on Cummins' traditional strength in higher horsepower engines, where demand is shrinking.

It also cut the price of its engines in 1984 by up to 40 per cent to bring them in line with "world prices" set by Japanese producers. It has been forced to drive down its production costs to meet those prices.

Last year it announced the closure of a number of plants, representing 19 per cent of its floor space, in a rationalisation programme that incurred after-tax charges of $107m.

Cummins concedes that the sales programme of its new B and C series engines, which have entered a market suffering particularly severely from aggressive pricing, has been slower than expected. Mr Schacht described it as being about a year behind planned production.

Output of the B and C series is centered on a joint venture with J. I. Case, the US construction and agricultural equipment maker, in a co-owned $350 project at Rocky Mount, North Carolina.

The plant, which has a capacity to produce 150,000 engines a year, came on stream in 1983. So far, however, Rocky Mount has produced just 70,000 engines in total for both Case and Cummins.

The plant is producing at the rate of 20,000 units a year for Cummins and a similar number of units to go direct into Case machinery.

Mr Mike Howell, vice president for corporate strategy at Cummins, said the two companies expect to raise output from Rocky Mount to an "economic level" by 1990. It would be in excess of 100,000 units a year for the two companies together. By that time Cummins also expects to be shipping 20,000 engine kits from Rocky Mount on top of complete units.

Cummins also assembles the D series in the UK and Brazil. It is understood that Case will begin production of the D series at its plant in Neuss, West Germany.

Cummins produced 123,000 engines last year and 20,000 kits – down from 184,000 completed engines and some kits in 1984. Total cash sales have been static for the past two years.

The North American truck market accounted for 70,000 unit sales in 1986, down from 77,000 the previous year. North American industrial application took up 31,000 engines as against 28,000 in 1985 but sales of engines outside North America rose to 21,000 from 16,000.

Mr Schacht expressed confidence in Cummins' place in the supply of engines to US heavy truck makers. The company last year had 56.5 per cent of the US heavy duty diesel truck market, slightly up on 1985.

A few years ago Cummins became nervous when a number of US truck producers which used Cummins engines were purchased by European truck builders making their own engines. However, penetration of European-made engines in these trucks has so far been only minimal.

US clears Celanese sale to Hoechst

By Roderick Oram in New York

THE FEDERAL Trade Commission has cleared the way for the $2.85bn takeover of Celanese, the US chemicals group, by Hoechst, one of the big three West German chemical companies, following Hoechst's agreement to sell certain US polyester textile fibre assets.

The FTC, which oversees industrial competition, last month sought a preliminary injunction against the takeover on anti-trust grounds. It said that the merged group would have a dominant position in polyester fibre markets, outstripping the present leader, Du Pont.

American Hoechst, the US arm of the West German group, said it would sell within one year a package of its own and Celanese's assets in the sector.

NEW INTERNATIONAL BOND ISSUES

Borrowers	Amount m.	Maturity	Av. life years	Coupon %	Price	Book Runner	Offer yield %
U.S. DOLLARS							
Marubeni Int. Fin. ‡	30	1992	5	7¾	101¾	Nikko Secs. (Europe)	7.320
Federal Home Loan Bk (b)‡	200	1997	10	7¾	101⅛	Daiwa Secs	7.585
GTE Finance (b)‡	100	1994	7	8	101.30	Yamaichi Secs.	7.752
Tops No. 2 (d)†‡	100	1992	5	⅛	100	Bankers Trust Int.	–
Swedish Export Cr. ‡	125	1991	4	7	100¾	Bankers Trust Int.	6.780
American Express Bk (a)†‡	200	1999	12	⅛	100	Shearson Lehman Bros.	–
GMAC ‡	200	1992	5	7⅜	101	Salomon Brothers	7.130
Macmillan Bloedel ‡	100	1996	9	9	100⅞	Morgan Stanley	8.855
World Bank ‡	250	1997	10	7⅝	101	Deutsche Bk Cap. Mkts	7.604
Sanwa Bank ‡	100	1994	7	8	101⅞	Morgan Guaranty	7.644
General Electric Cr. ‡	250	1992	5	7½	101.65	UBS (Secs)	6.726
Christiania Bank †‡	30	1997	10	(f)	101⅞	IBJ Int.	–
New Zealand ‡	150	1997	10	8	99¾	CSFB	8.037
Atlantic Fin. Fed S&L ‡	175	1990	3	7¼	101¼	Goldman Sachs	6.776
CANADIAN DOLLARS							
Girozentrale (Vienna) ‡	75	1994	4	9	101½	Morgan Guaranty	8.705
Nippon Credit Bank ‡	75	1994	7	9⅛	101½	Salomon Brothers	8.829
Deutsche Bank Fin. ‡	125	1994	7	9	101½	Deutsche Bk Cap. Mkts	8.706
AUSTRALIAN DOLLARS							
Exportfinans ‡	50	1990	3	14¾	101½	Merrill Lynch	14.103
Metallgesellschaft Fin. ‡	50	1992	5	14½	101½	Dresdner Bank	14.062
Bayernhypo Fin. ‡	50	1992	5	14½	101¾	Bay'ische Hypotheken	14.099
D-MARKS							
Air Canada (c)‡	200	Perp.	–	6⅜	100	CSFB-Effectenbank	–
EEC ‡	300	1993	6	5⅜	100	Deutsche Bank	5.375
Avis Fin. Services ‡	100	1992	5	5⅞	100	Commerzbank	5.875
Central Bk of Turkey ‡	125	1992	5	6⅞	100	Commerzbank	6.875
SWISS FRANCS							
Eidensha Co. **¶‡	35	1992	–	1⅞	100	B. della Sviz. Italiana	1.875
Fuji Electrochemicals **§‡	40	1992	–	1½	100	Crédit Suisse	1.506
ICN P'maceuticals (a)§	60	1997	–	(3–4)	(100)	Finterlex	•
EIB ‡	200	1997	–	4⅝	100	Crédit Suisse	4.625
City of Oslo **‡	25	1990	–	4¼	100½	Crédit Suisse	4.070
City of Oslo **‡	25	1991	–	4¼	100	Crédit Suisse	4.250
City of Oslo **‡	25	1992	–	4⅜	100¼	Crédit Suisse	4.318
Nakanayami Corp. **¶	30	1992	–	(2)	•	UBS	•
Mitsubishi Electric **‡	200	1992	–	4⅝	100¼	UBS	4.588
City of Oslo ‡	250	1997	–	4½	99½	Handelsbank	4.583
Tokai Kogyo Co. **‡	30	1992	–	4¾	100½	UBS	4.636
Tokai Kogyo Co. **‡	20	1994	–	4⅞	100¼	UBS	4.832
Nagasakiya Co. **‡	100	1992	–	4⅝	100⅛	UBS	4.590
Misawa Homes Co. **¶	150	1992	–	(1⅛)	(100)	Crédit Suisse	•
World Bank **‡	100	1994	–	4⅜	100	Citicorp, Shearson L'man	4.375
County of Copenhagen **‡	45	1992	–	4⅜	99¾	Shearson Lehman Amex	4.432
STERLING							
Australia ‡	100	1997	10	10¼	100¾	Warburg Securities	10.127
Norsk Hydro ‡	50	1992	5	10	100⅛	Hambros Bank	9.981
ECUs							
Marubeni Int. Fin. Φ‡	40	1992	5	8⅛	101¾	Fuji Int. Fin.	8.432
Mortgage Bk Denmark ‡	75	1992	5	7⅝	101⅞	Dai-Ichi Kangyo Bk	7.166
Ireland ‡	100	1999	12	8	98¾	Bank of Tokyo Int.	8.218
GUILDERS							
Philips **‡	150	1992	5	5¾	99½	Amro Bank	5.868
NMB Bank **‡	150	1992	5	6	100	NMB Bank	6.000
LUXEMBOURG FRANCS							
Imatran Voima **‡	300	1992	5	7½	100¼	Kredietbank Int.	7.438
ECSC **‡	300	1990	3	7⅛	100	Soc. Eur. de Banque	7.125
Council of Europe **‡	250	1992	5½	7¼	100	BIL	7.250
City of Gothenburg ‡	600	1993	6	7	100	Kredietbank Int.	7.000
DANISH KRONER							
Swedish Export Cr. ‡	300	1993	6	10⅝	100⅛	Privatbanken	10.721
YEN							
Crédit Lyonnais ‡	15bn	1992	5	5	102½	Shearson Lehman Bros.	4.432
Asian Dev. Bank ‡	30bn	2002	15	5.3	100	Yamaichi Secs.	5.370
Société Générale ‡	20bn	1992	5	5½	104⅜	Yamaichi Int. (Eur)	4.503
State Bk Victoria ‡	10bn	1992	5	5	101⅞	Yamaichi Int. (Eur)	4.572
Austria ‡	20bn	2007	20	5⅝	102	Daiwa Europe	5.705
Finland ‡	15bn	1996	9	5¼	101⅞	Bank of Tokyo Int.	4.989

* Not yet priced. ‡ Final terms. ** Private placement. † Floating rate notes. ¶ With equity warrants. Φ Bull/bear issue. § Convertible. ‖ Currency linked. (a) Double convertible. (b) Launched in Japan. (c) First coupon until 1994, then refixed every 3 years. (d) ⅛ over 3m Libor, backed by ex-warrant bonds g'teed by Japanese banks. (e) ⅛ over 3m Libor. (f) 16.63 less product of 0.5 x 6m Libor. Note: Yields are calculated on AIBD basis.

Buoyant exports boost for Grincor

By Jim Jones in Johannesburg

GRINDROD UNICORN (Grincor), a South African freight and shipping company, which joined the Johannesburg Stock Exchange last November, benefited from greater export volumes and favourable exchange rates in 1986, but domestic operations were affected by the economic recession.

Turnover rose to R218m ($105m) from R147m and the pre-tax profit was R17.8m against R4.4m.

The directors attribute part of the profit increase to a change in foreign exchange management. Dollar exposure is now managed on a voyage basis rather than selling forward a portion of dollar-based revenue. Domestic profits were increased through gains in market share and tight cost control.

Net earnings of 34.5 cents a share were slightly higher than the 33.4 cents forecast in the company's prospectus. The dividend of 16 cents matched the prospectus forecast.

Bond adds to Hong Kong television stake

BY KEVIN HAMLIN IN HONG KONG

MR ALAN BOND, the Australian entrepreneur, has fortified his holding in HK-TVB, the territory's leading television company, by purchasing a further 12.6m shares for HK$176.4m (US$22.6m).

The move comes only a few days after Bond International, the locally quoted subsidiary of Bond Corporation, Mr Bond's Australian holding company, acquired a twin-towered office complex for HK$1.9bn. That in turn followed hard on the heels of Mr Bond's public apology for making misleading comments on the value of Bond International.

The new shares increase Bond International's stake in HK-TVB by 3 per cent to 26.7 per cent. The holding bought from Mrs Christina Lee, a HK-TVB director who is the widow of Mr Harold Lee, the concern's founder and former chairman.

Mrs Lee was paid HK$14 apiece for the shares, slightly above Friday's close at HK$13.80. Bond International had paid Sir Run Run Shaw, the film maker who controls HK-TVB, the same amount for his personal 23.7 per cent stake in January.

The deal in January was seen as a precursor to Bond International seeking full control of the group. Sir Run Run now holds 20.4 per cent through Shaw Brothers, the film company, and is believed to have the loyalty of another 20 per cent of shareholders.

Bond International said Mrs Lee's shares had been bought after consultations with the government. Non-British interests cannot currently control broadcasting companies, but a review of the television ordinance now under way could open the door for Mr Bond to acquire a majority.

Bond International has invested HK$4.65bn in the territory since last October, with nearly half of that pumped in during the past week. The group's other main holding is a residential property portfolio, bought from Hongkong Land in October last year for HK$1.4bn.

Pickens buys shares in two energy groups

BY OUR NEW YORK STAFF

MESA LIMITED Partnership, the Texas oil and gas company run by Mr T Boone Pickens, a leading corporate raider, has declared small stakes in Burlington Northern and Amerada Hess, both of which have significant energy interests.

Mesa said that on December 31 it owned 1.8m shares in Burlington Northern with a market value at that time of $95.85m, and 1.82m shares in Amerada Hess worth $21.6m. The stakes represented 2.4 per cent and 2.2 per cent respectively of the two companies' equity.

Mr Pickens' group gave no indication when or for what reason it had purchased the stakes or the price paid when it reported ownership to the Securities and Exchange Commission. Both target companies have long been considered takeover candidates.

Shares of all three companies rose following the disclosure. Burlington Northern closed up $2⅜ to $68⅜, Amerada Hess gained $⅜ to $28⅜ and Mesa added $⅜ to $16⅜.

Mesa recently sold a small stake in Diamond Shamrock for a minimal profit after it failed to take over the energy group. Mesa is well financed, however, and is known to be actively seeking other targets.

INTERNATIONAL CAPITAL MARKETS

US MONEY AND CREDIT

Dollar and Brazil worries stifle partial recovery

SCEPTICISM about the strength of any weekend agreement at the finance ministers' meetings and worries about Brazil's interest payment moratorium left the US credit markets in a defensive mood at the end of last week, despite good news on the domestic front.

In theory the dollar should be supported by an attempt at more harmonious international economic policies, but the dollar's dip ahead of the Paris gatherings indicated the meagre hopes foreign exchange markets held for success. Credit markets picked up the pessimism knowing that further weakness in the dollar could put upward pressure on interest rates.

Brazil's moratorium had an immediate impact on one of the most sensitive debt-crisis indicators, the TED spread. The premium on T-bill futures over Eurodollar futures rose to 0.96 of a point early on Friday, although it eased slightly later, compared with only 0.77 of a point a week earlier. Short-term obligations issued by private sector banks lagged behind the rally, while money-centre bank stocks lost favour with investors.

These end-of-the-week concerns took the edge off a partial recovery by the credit markets from the two-week slump which set in after the Treasury's first quarter refunding auctions. The prime reason for the pick-up was the unequivocal statement by Mr Paul Volcker, chairman of the Federal Reserve Board, that the central bank had not tightened monetary policy in recent weeks.

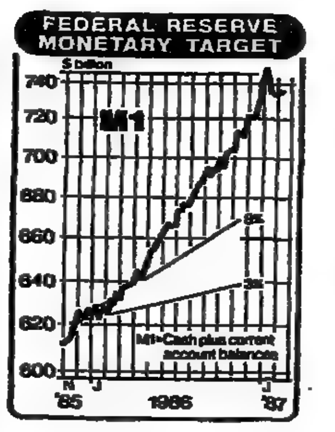
The Fed funds rate immediately fell back below 6 per cent into territory it had seen only briefly since last August. Fed watchers were relieved that policy had not pushed the rate at which banks lend reserves to each other far above 6 per cent in recent weeks, but they were left wondering which technical factors had caused the upsurge.

Short-term rates followed Fed funds lower until Brizil stirred up the debt crisis, though the rates still ended the week down some 10 basis points. At the long end, the yield on 30-year Treasury bonds followed the same pattern although it remains some 6 basis points above the auction level — to the discomfort of any dealers still holding securities left over from the sale.

The main domestic event for the market last week was Mr Volcker's semi-annual testimony to Congress. Apart from some theatrical thrills and spills over the final rites for M1 as a policy tool, there was not, however, a lot for the markets to chew on.

Mr Volcker's decision to stop setting M1 targets for the first time in 12 years was no surprise since the Fed had been obviously unmoved by the explosion of the narrow definition of money supply in recent years. Over the past quarter M1 expanded at an annual rate of more than 20 per cent compared with the Fed's last target range of 3 per cent to 8 per cent.

FEDERAL RESERVE MONETARY TARGET



The Fed chairman told the Senate banking committee that changes in the financial system made M1 a wholly unreliable guide to monetary health. Senator William Proxmire, the maverick Democrat monetarist chairman of the committee, was alarmed by the argument. He warned Mr Volcker that ignoring M1 was an "extremely dangerous and unwise" action liable to lead to rampant inflation.

Moreover, Mr Proxmire believed it was probably illegal under the Fed's terms of reference to Congress for the Fed to abandon M1. Mr Volcker agreed to come up with a legal opinion on the issue.

On more pertinent matters, Mr Volcker made it clear that the dollar has become the prime consideration of monetary policy. He reiterated his deep concern that any further fall in the currency would feed directly through into higher inflation. This implied that the Fed would not hesitate to raise interest rates to help the dollar and nip inflation in the bud, even at the expense of stifling economic growth.

In summary, Mr Volcker's silver cloud wore a dark lining. "We have a chance of having a prolonged expansion consistent with price stability . . . we're perfectly capable of blowing it."

The long litany of concerns with which the chairman filled most of his testimony raised a crucial question. Why is the Fed so accommodating in its credit policy if it is so worried? Griggs and Santow, a leading money market consulting service, suggested: "One felt that if Volcker still dominated policy to the extent he did for so many years, policy would not be so accommodative as it is currently. However, the corollary reality one sensed was that his was a minority view."

Three major economic figures are due to be raised this week. The following forecasts are the median estimates of some 30 economists surveyed last Friday by Money Market Services of Redwood City, California:

● January durable goods orders, Tuesday: A fall of 0.3 per cent from December's levels which in turn were up 0.9 per cent from November because of tax reform-induced purchases.

● January consumer price index, Friday: A rise of 0.3 per cent from December which was up 0.2 per cent from November. Higher prices for fuels, particularly petrol, are the main factor behind the acceleration in inflation.

● January trade deficit, Friday: The shortfall is expected to have risen to $14bn from a preliminary $10.7bn in December, although the estimates vary widely from $10bn to $15.5bn. November's preliminary figure of a record $19.7bn was revised sharply downwards in December and the market will be looking carefully for further revisions and any signs of an underlying trend towards lower deficits.

Roderick Oram

US MONEY MARKET RATES (%)

	Last Friday	1 week ago	4 wks ago	—12-month— High	Low
Fed Funds (weekly average)	6.19	6.21	6.07	11.34	5.71
Three-month Treasury bills	5.59	5.65	5.50	7.30	5.16
Six-month Treasury bills	5.59	5.67	5.52	7.51	5.24
Three-month prime CDs	6.17	6.20	5.81	7.72	5.48
30-day Commercial Paper	6.05	6.15	5.85	7.70	5.55
90-day Commercial Paper	6.00	6.10	5.75	7.60	5.45

US BOND PRICES AND YIELDS (%)

	Last Friday	Change on week	Yield	1 week ago	4 wks ago
Seven-year Treasury	[illegible]	+0¼	7.06	7.10	6.91
20-year Treasury	116⅝	+0⅜	7.73	7.77	7.66
30-year Treasury	99¾	+0⅜	7.56	7.58	7.45
New 10-year "A" Financial	N/A	N/A	8.00	8.15	8.00
New "AA" Long utility	N/A	N/A	8.55	8.75	8.63
New "AA" Long Industrial	N/A	N/A	8.60	8.63	8.63

Money Supply: In the week ended February 9 M1 fell by $2.6bn to $734.2bn.

Source: Salomon Bros (estimates).

NRI TOKYO BOND INDEX

December 1983 = 100	PERFORMANCE INDEX 19/2/87	Average yield (%)	Last week	12 wks ago	26 wks ago
Overall	135.08	4.50	134.98	130.75	128.39
Government Bonds	135.98	4.16	135.87	131.52	129.52
Municipal Bonds	135.22	5.04	135.16	131.20	128.18
Government-guaranteed Bonds	136.16	5.09	136.08	131.87	128.77
Bank Debentures	131.18	4.11	131.12	127.18	125.10
Corporate Bonds	134.24	5.35	134.10	129.57	126.60
Yen-denominated Foreign Bonds	135.45	6.30	135.28	131.58	128.78
Government 10-year†	5.22	—	5.22	5.46	5.29

† Estimated par yield.

Source: Nomura Research Institute.

UK GILTS

Budget prospects underpin the rally

THERE WAS something rose-tinted about last week's burst of enthusiasm in the UK Government bond market and some old problems could re-emerge to brake the rally.

Worries about inflationary pressures in the economy, which had boosted the index-linked sector to a pretty impressive rally recently, were brushed aside in favour of yet more naked (and justified) optimism last week about the Chancellor's scope for tax cuts and cutting public borrowing.

The short-end of the market moved lower to discount fully 10 per cent base rates while longer-dated, high coupon stocks moved down another notch to establish yields around 9½ per cent—only days after the 10 per cent barrier had appeared unassailable.

There were reports of an increase in overseas purchases of gilts, particularly in the wake of last week's news of another Japanese discount rate cut and in anticipation of an agreement at the finance ministers' meeting. (Other reports suggested that the Japanese were indulging in some short-term trading, selling as well as buying gilts last week.)

Hopes have been riding high that an accord would underpin sterling and allow lower British interest rates to add the final touch to a bumper Budget on March 17.

Much will now depend on the reaction of the foreign exchange markets to the bald facts of the communique. An accord aimed at stabilising currencies at current levels was widely expected, after broad hints from almost every contactable senior official at the end of last week.

It remains to be seen, however, whether the various member countries are really willing to put muscle behind their commitments; foreign exchange dealers have the habit of testing the strength of will behind such agreements.

The dollar's rather dull performance on Friday was, in itself, evidence of a large measure of scepticism, an attitude which could spill over into the gilt-edged market this week following the weekend's events.

The Bank of England's signal to UK money markets on Friday that it was not happy for pressure to build up for a base rate cut just yet may have been inspired by nerves ahead of the weekend meeting.

It was the second day that the Bank had lent funds to the discount houses at 11¼ per cent, but this time the length of the borrowing was 12 rather than seven days, so providing an even more cautionary note to the market.

Yet the Bank's action may also be inspired by more fundamental worries about inflation and the exchange rate.

It is difficult to predict sterling's reaction to the weekend accord. Britain's part in the latest round of international negotiations has been rather peripheral and the pound could either benefit from being out of the limelight or, as so often before, get caught in the cross fire of the flows between dollars, yen and D-Marks.

Working against sterling on the domestic front are the recent weakening in oil prices—the spot price of Brent crude slipped below $17 per barrel last week to its lowest level this year—and widespread signs of an upturn in inflation.

Sterling also has to get over the hurdle of Friday's latest figures on trade and the current account.

Exchange rate considerations aside, some factors are working in the gilt market's favour which could underpin prices at their new, better level.

One is a perception that equities are now pretty expensive and, given electoral uncertainty, it may be time to bail out and take profits. Some of these funds could move into gilts.

Another is that the market is again untapped. After a sluggish start, the long tap—£800m of 9 per cent Treasury 2008—was finally exhausted last week

Janet Bush

FT/AIBD INTERNATIONAL BOND SERVICE

US DOLLAR STRAIGHTS	Issued	Bid price	Chg. on week	Yield
ABN Bank 8⅞ 91	150	103	−0⅛	7.61
AHFC O/S Fin 11⅛ 94	100	103	0	11.11
AIDC 11 89	75	108⅛	0	7.41
Alcan Australia 8⅞ 89	25	100	0	8.48
Alcoa Australia 11 92	60	109½	+0⅛	8.40
American Exps 12⅞ 89	150	108⅞	−0⅛	7.02
Asian Dev Bk 11⅛ 93	100	115⅝	+0⅛	8.52
Australia 11⅛ 90	100	109⅜	−1⅛	8.04
Australia 11⅛ 00	100	117⅛	+0⅛	8.98
Austria Zero 95	100	50⅛	0	8.44
Bank of Montrl 14½ 87	100	101⅛	0	7.31
Bank of Tokyo 8⅛ 96	100	101⅛	0	8.08
Bank of Tokyo 11 90	125	109⅞	−0⅛	7.32
Bank of Tokyo 11⅞ 90	100	114⅛	0	7.40
Bank of Tokyo 13⅞ 89	100	115⅞	+0⅛	7.02
Barclays Jersey 10⅝ 90	250	108⅞	0	7.34
Barclays Jersey 10⅝ 96	250	114⅛	−0⅛	8.28
Belgium 7⅞ 91	250	98⅞	−0⅛	7.58
Belgium 7⅞ 91	300	100⅛	−0⅛	7.59
Betawest Prop 7⅞ 93	150	98⅞	0	7.92
BFCE 7⅛ 93	100	97⅞	+0⅛	7.72
Bk Nova Scotia 13⅛ 87	100	102⅞	−0⅛	7.74
BNP 2⅛ 93	125	102⅞	−0⅛	8.13
BNP 13⅞ 89	150	114⅞	−0⅛	7.30
BP Capital 9⅞ 93	150	108⅛	+0⅛	7.82
BP Capital 11⅛ 92	150	111⅛	+0⅛	8.20
Br Col Hydro 10⅛ 88	200	103⅞	−0⅛	6.74
Br Col Hydro 11⅛ 93	200	119⅞	−0⅛	7.92
Campbell Soup 10⅝ 95	100	112⅞	−0⅛	8.36
Canada 10⅞ 88	500	106⅞	−0⅛	6.78
Canada 11⅞ 90	500	112	+0⅛	7.04
Canadn Imp Bk 16⅞ 91	100	115⅛	0	12.10
Can Natnl Rail 14⅞ 91	100	0		
Canadian Pacific 7⅞ 96	100	88⅛	+0⅛	8.83
Canadian Pacific 10⅞ 93	100	106⅞	0	8.79
Can Pacific Secs 15 89	75	115⅞	−0⅛	7.83
Canadian Wheat 11⅛ 90	60	103⅞	−0⅛	10.02
CCCE 7⅛ 91	113	98⅞	+0⅛	7.31
Centrust S&L 0 10	1.2bn	11⅞	−0⅛	9.71
Chevron USA 12⅛ 89	600	0		
Citicorp 11⅛ 92	100	107⅞	0	8.67
Colgate-Palmolive 9⅞ 96	100	107⅞	−0⅛	8.39
Com Bk Australia 10 93	100	110⅛	−0⅛	7.95
Com Bk Australia 12⅞ 89	100	112⅞	−0⅛	7.23
Continental Grp 11⅛ 93	75	102⅞	0	10.82
Crocker National 10⅞ 88	75	103	0	7.52
Dart Kraft A 10⅞ 96 SW	100	107	+0⅛	9.05
Denmark 0 98	250	37⅞	+0⅞	8.87
Denmark 7 88	1.0bn	100⅛	0	6.79
Denmark 10⅞ 90	100	103½	−0⅛	9.49
Denmark 11⅞ 92	100	116	−0⅛	7.90
Denmark 13 92 XW	100	101	0	12.66
Denmark 13⅞ 91	100	121⅞	0	7.42
Deutsche Bk Fin 13⅞ 89	200	113⅞	−0⅛	7.31
DKB Asia 8⅛ 91	100	101⅞	−0⅛	7.68
Dutch St Mines 11⅞ 91	150	105⅞	−0⅛	9.67
ECSC 7 89	75	100⅛	0	6.89
ECSC 9⅛ 98	100	0		
EDF 10⅛ 95 A	100	108⅞	+0⅛	8.81
EEC 9⅞ 90	350	0		
EIB 7⅛ 93	150	0		
EIB 8⅞ 89	100	100⅞	+0⅛	7.88
EIB 8⅛ 89	60	100⅞	0	8.15
EIB 9⅛ 92	100	101⅞	+0⅞	8.39
EIB 9⅞ 93	100	101⅞	0	8.78
EIB 10⅞ 94	200	0		
EIB 11 91	125	113	−0⅛	7.17
EIB 11⅛ 91	75	111⅛	+0⅛	8.04
Eksportfinans 0 94	350	54⅞	0	8.28
Eli Lilly 10⅛ 90	150	112⅞	−0⅛	7.82
Emerson Elec 9⅞ 95 SW	100	107⅞	+0⅛	8.39
ENEL 10 95	400	105	0	9.32
Engelhard Corpn 11⅛ 92	100	109⅞	0	9.32
Eurofima 9⅛ 98	100	107⅞	−0⅛	8.03
Eurofima 12⅛ 89	75	112⅛	0	7.00
Export Devel 9⅞ 88	200	103	0	7.41
Export Dev Corp 10 90	100	108⅞	−0⅛	7.14
Export Devel 10⅞ 88	100	103½	0	6.80
Export Devel 11⅛ 88	150	107⅞	−0⅛	7.02
Export Devel 12 89	100	111⅛	−0⅛	7.08
Farm Credit Corp 7⅞ 93	100	98⅞	−0⅛	7.78
Finland 12⅛ 94	75	125⅛	0	7.74
Ford Motor 10⅛ 93	150	106⅞	−0⅛	8.80
Forsmarks 8⅛ 91	100	0		
Fuji Bk & Tst 7⅞ 91	100	100⅞	0	7.53
Fuji Intl 10⅞ 90	100	109⅞	+0⅛	7.31
Gaz de France 12⅞ 93	175	0		
Gen Elec Cred 9⅛ 91	100	104⅛	−0⅛	8.80
Gen Elec Cred 10⅞ 90	200	106	0	8.55
Gen Elec Cred 12 94	200	114⅛	−0⅞	9.26
Getty Oil 14 89	125	101	0	13.37
GMAC 10 88	200	103	0	6.88
GMAC 10 92	250	107⅞	−0⅛	8.31
GMAC O/S Fin 15⅞ 87	100	104⅛	−0⅛	7.47
Gram Finance 13⅛ 89	100	108⅛	+0⅛	9.45
Gulf Canada 14⅛ 92	100	114⅞	−0⅛	10.94
GZB 14 91	100	120⅛	+0⅛	8.25
Hiram Walker 16 89	75	114½	−0⅞	7.57
Holl Air Fin 12⅞ 91	100	105⅞	−0⅛	10.54
IBM 9⅛ 88	200	102⅞	−0⅛	7.02
IBM Credit 10⅛ 89	300	103⅞	0	8.20
IBM Wrld Trade 12⅞ 92	200	112⅞	−0⅛	9.28
IC Industries 12 90	75	107	−1⅛	9.34
Inco 9 92	100	99	+0⅛	9.22
Ind Bk Japan 10⅞ 92	100	108⅞	0	8.31
Ind Bk Japan Fin 8 88	150	100⅞	−0⅛	7.81
Int-Amer Dev 12⅞ 91	150	120⅛	+0⅛	7.48
Int Paper 12 91	75	105⅞	+0⅛	10.27
IPF 12⅞ 92	100	109⅞	+0⅛	10.02
Italy 8⅛ 91	200	104⅞	−0⅛	7.49
Italy 9⅞ 96	150	106⅛	−0⅞	8.04
ITT Credit Corp 10⅛ 90	75	108⅞	0	8.17
Japan Air Lines 8⅛ 96	150	99⅞	−0⅛	8.18
Japan Dev Bk 10 92	100	107⅞	+0¼	8.20
Kellogg Co 10⅞ 90	100	0		
Liberty Mutual 8½ 96	150	0		
Lockheed Corpn 7⅛ 89	150	100⅛	+0⅛	7.17
Long Term Cred 10⅞ 90	100	108⅛		7.32
Long Term Cred 11 90	100	109⅞	0	7.33
Long Term Cred 11⅞ 89	100	109⅞	−0⅛	7.01
Manitoba 7⅞ 96	150	95⅞	0	8.14
Manitoba 8⅛ 91	125	104⅞	−0⅛	7.36
Manitoba 13⅛ 89	100	114⅛	−0⅞	7.48
Marks & Spencer 8⅛ 96	150	101⅞	−0⅛	8.00
Marubeni 11⅛ 91	100	112⅛	+0⅛	8.08
Mercedes Credit 7⅛ 93	100	99½	+0⅛	7.60
Mercedes Credit 7⅞ 93	100	101	0	7.29
Merrill Lynch 8 93	200	100⅞	−0⅛	7.83
Merrill Lynch 9 89	200	103⅞	+0⅛	6.96
Mer Lynch O/S 10⅞ 90	200	108⅞	0	7.42
Mitsubishi Cp 10⅞ 92	100	108⅞	+0⅛	8.44
Mitsubishi Est 10⅛ 92	80	107½	0	8.61
Mitsbshi Fin HK 11⅛ 90	100	111½	0	7.35
Mitsbshi Fin HK 12⅞ 91	100	116⅞	+0⅛	8.24
Mitsui Tst Fin 12 91	100	113⅞	+0⅛	7.98
Mobil Corp 10⅞ 90	200	107	0	7.72
Morgan Gty Tst 12⅛ 89	150	111⅛	−0⅛	7.23
Morgan J P 11⅛ 92	100	108⅞	+0⅞	8.28
Motorola 12 94	75	117⅞	+0¼	8.76
Mount Isa Fin 13⅛ 87	100	102	−0⅛	8.16
Nat West Fin 11⅛ 92	150	117⅞	0	7.83
Ned Gasunie 11⅛ 90	75	110⅛	−0⅞	7.75
New Zealand 7⅛ 89	300	100	0	7.22
New Zealand 7⅞ 91	200	99⅞	−0⅛	7.58
New Zealand 7⅛ 91	250	99⅞	−0⅛	7.84
New Zealand 8 93	100	100⅞	+0⅛	7.83
New Zealand 8⅛ 93	150	101½	−0⅛	7.82
New Zealand 10⅛ 95	200	110⅞	−0⅛	8.41
Nippon Cred Bk 13⅞ 89	100	114⅞	0	7.02
Nissho Iwai 10⅛ 92	100	110½	+0⅛	8.14
Nova Scotia 11⅛ 91	100	104⅞	−0¼	10.26
NSW Treasury 11⅛ 90	150	111⅞	−0⅛	7.46
Olympia & York 9⅛ 96	435	98⅛	+0⅛	8.45
Ontario Hydro 10⅛ 90	250	108⅞	−0⅛	7.18
Ontario Hydro 11⅛ 89	200	110⅞	0	7.02
Ontario Hydro 11⅛ 94	200	118⅛	−0⅛	7.90
Ontario Hydro 11⅞ 90	200	113⅞	−0⅞	7.29
Ontario Hydro 13½ 91	100	120⅞	−0⅞	7.44
Ontario Hydro 14⅛ 89	150	115	−0⅛	7.39
Ontario Hydro 15 92	150	131⅛	−0⅛	7.76
Pacific Gas & El 12 00	75	116	0	9.76
Pacific Gas & El 15⅞ 89	45	101⅞	+0⅛	14.49
Penney J C 11⅞ 90	100	0		
Penney J C 12⅞ 91	100	111⅞	0	8.46
Pepsico Capital 8⅞ 91	100	103⅞	0	7.42
Petro-Canada 7⅞ 96	200	94⅞	−0⅛	8.05
Philip Morris 9⅞ 98	200	105⅞	−0⅛	8.49
Post Och Kred 13⅞ 87	88	102⅞	−0⅛	7.80
Postipankki 11⅛ 90	75	109	0	7.72
Proctor & Gam 10 95	150	110⅞	−0⅛	8.23
Pru Rlty Secs 0 99	365	38⅛	+0⅛	8.77
Qantas Airways 8⅞ 96	97	102⅞	−0⅛	8.18
Quebec Hydro 10 99	75	107⅞	0	9.00
Quebec Prov 13 90	150	0		
Queensld Gvt 11⅛ 89	100	110⅞	−0⅛	7.27
Ralston Purina 11⅛ 95	150	115⅞	0	8.97
Reynolds R. J. 10⅞ 93	100	111⅛	−0⅛	7.94
Rockwell Int 9⅞ 90	200	107⅞	−0⅛	7.39
Saskatchewan 7 91	125	100⅞	0	7.42
Saskatchewan 8⅞ 91	150	103⅛	0	7.43
Saskatchewan 11⅞ 89	100	110⅞	−0⅛	7.31
Saskatchewan 15 92	150	130½	−0⅛	7.90
SAS 10⅛ 95	150	110¼	+0⅛	8.43
Scot Intl Fin 10⅛ 90	80	108	0	7.80
Sears O/S Fin 0 98	500	37⅞	−0⅛	8.99
Sears O/S Fin 11⅛ 93	150	120	−0⅛	7.86
Sears Roebuck 10⅞ 91	150	105	−0⅛	9.05
Sec Pacific 10⅞ 88	100	104⅞	−0⅛	7.03
Shell (Canada) 14 ⅞ 92	125	114	0	10.71
Shell Oil 8⅞ 90	250	105⅞	−0⅛	7.67
Standard Oil 10⅞ 89	150	102⅞	+0⅛	8.83
St Bk Sth Aust 9⅛ 93	100	104⅛	0	7.92
State Elec Vict 10 92	100	108⅞	−0⅛	7.90
Sth Aus Gov Fin 8⅞ 93	100	103⅞	−0⅛	7.87
Sumitomo Fin 11⅛ 92	150	0		
Sweden 8⅛ 94	150	102⅞	0	7.61
Sweden 10⅞ 92	250	112⅞	−0⅛	7.63
Swedish Exp Crd 9⅞ 93	100	105⅞	+0⅛	8.10
Swedish Export 11⅛ 88	100	0		
Taiyo Kobe 11⅞ 90	100	111½	0	7.57
Taiyo Kobe 12 90	100	114⅞	−0⅛	7.81
Tenneco Corp 11⅛ 89	150	106	+1⅛	7.86
Texaco Capital 13⅞ 99	200	103⅞	−2⅞	11.68
Texas Inst 11⅞ 91	150	107⅞	+0⅛	8.86
Tokai Asia 11⅞ 98	100	118⅞	−0⅛	8.19
Tokyo Metro 8⅛ 96	200	101⅞	−0⅛	8.03
UBS 12⅞ 91	100	106⅞	0	10.28
Unilever Cap Cp 9⅞ 92	150	110⅞	−0⅛	7.52
Vict PBC Auth 8⅛ 96	100	100⅞	+0⅛	8.28
Warner-Lambert 8⅛ 96	100	100⅞	+0⅛	8.04
Wells Fargo 13⅛ 91	100	118⅞	+0⅛	7.40
Weyerhauser 11⅞ 90	60	104⅞	+0⅛	10.04
World Bank 7 92	300	99⅞	−0¼	7.22
World Bank 11⅛ 90	200	113⅞	+0⅛	6.99
World Bank 11⅛ 88	200	108⅞	−0⅛	6.64
World Bank 11⅛ 90	150	113⅛	0	6.98

FLOATING RATE NOTES	Issued	Bid price	Chg. on week	C.cpn
Alaska Housing 1/10 01	125	99⅞	0	6⅞
Alberta Province ⅛ 93	500	99⅞	0	3
Allied Irish ⅛ 95	100		0	6⅞
Amer S & L 0.18 96	200	100	0	6⅞
Banco di Sicilia ⅛ 92	100	99⅞	0	6⅞
Bank of Boston ⅛ 2000	300	99⅞	0	6
Bk of Montreal ⅛ 95	250	100⅞	0	6⅞
Bankers Tr NY ⅛ 94	200	100⅛	0	6⅞
Ban Indosz ⅛ 91 XW £	85	100⅞	0	11⅞
Barclays O/S Inv ⅛ 04	350	100	0	6⅞
BBL Intl 95	100	99	0	6⅞
Belgium ⅛ 94 £	100		0	11⅞
Belgium ⅛ 97	500	100⅞	0	4⅞
Belgium 2000	400	99⅞	0	6⅞
Belgium ⅛ 04	400	99⅞	0	6⅞
Belgium 05	400	99⅞	0	6⅞
Bilbao Intl 0.085 01	150	99⅞	0	6⅞
BNP 05	300	99⅞	+0⅛	6⅞
CCCE ⅛ 96	80	100	0	6⅞
CCF 97	250	99	0	6⅞
Central Intl 1/10 00	150	99⅞	0	6⅞
Centrust 0.15 96	100	99⅞	0	6⅞
CEPME ⅛ 98 £	100	100⅞	0	11⅞
Chase Manhattan ⅛ 93	150	99⅞	0	6⅞
Chase Manhattan ⅛ 09	400		0	6⅞
Chemical NY ⅛ 97	250	99⅞	+0⅛	6⅞
Citicorp O/S ⅛ 94	100	100	0	6⅞
Citicorp 0.225 05	500		0	6⅞
Citizens Fed 0.15 96	100	99⅞	0	6⅞
Commerzbank ⅛ 89	150		0	6⅞
Council of Europe 93	50	99⅞	0	6
Cred for Exports ⅛ 92	165	100	0	6⅞
Credit Foncier ⅛ 94	70	100	0	7⅞
Credit Foncier 97	350	99⅞	0	6⅞
Credit Foncier ⅛ 00 £	100	100⅞	0	11⅞
Credit Lyonnais ⅛ 99	250		0	6⅞
Credit National ⅛ 95	175	99⅞	0	7⅞
Creditanstalt ⅛ 95	150	100⅞	0	6
Eldorado Nuke 89	100	99⅞	0	6⅞
ENEL ⅛ 93 £	100	100⅞	0	11⅞
ENEL ⅛ 00	300	100	0	6⅞
Ferro Del Stat 1/10 95	100	100	0	6⅞
Ferro Del Stat 97	420	99⅞	0	6⅞
Finnpap ⅛ 95	100	100	0	6⅞
First Bk System ⅛ 97	100	97⅞	0	6⅞
First Chicago ⅛ 96	125	99⅞	0	6⅞
Ford Motor Cr ⅛ 91	300	99⅞	+0⅛	6⅞
Genfinance ⅛ 94	100	100	0	6⅞
Grindlays ⅛ 94	100	100	0	6⅞
GW O/S Fin ⅛ 94	100	99	+0⅛	6⅞
Halifax BS 2/25 98 (A)	150	99⅞	0	11⅞
Halifax BS 2/25 98 (B)	150	99⅞	0	9⅞
Hessische Landesbk 95	100	99⅞	0	6⅞
Iceland ⅛ 40	125	99	0	6⅞
Ireland ⅛ 95 £	100	99⅞	0	11⅞
Ireland ⅛ 97	300	100	0	6⅞
Iavelmer ⅛ 90	175	99⅞	0	6⅞
KB Ifima 0.15 11	150	99⅞	+0⅛	6⅞
Korea Exchange Bk ⅛ 00	100	99⅞	0	11⅞
Korea Exchng Bk ⅛ 94	100	100⅞	0	6⅞
Lincoln S & L ⅛ 89	100	99⅞	0	6⅞
Linfin Corpn ⅛ 01	100	99⅞	−0⅛	6⅞
Malaysia ⅛ 92	250	99⅞	+0⅛	6⅞
Malaysia ⅛ 05	650	98	+1⅛	6⅞
Marine Midland ⅛ 09	150	100	0	6⅞
Midland Intl ⅛ 92	150	100⅞	−0⅛	6⅞
Milk Marketing ⅛ 89	75	99⅞	0	11⅞
Mitsui Fin ⅛ 95	100	100	0	6⅞
Mtg Intermed ⅛ 10 £	90	99⅞	0	11⅞
Nat Aust Bank ⅛ 97	100	99⅞	0	6⅞
Nat Bank Canada ⅛ 98	150	99⅞	−0⅛	7
Nat Bank Canada ⅛ 91	50	99⅞		
Nat Bank Canada 96	200	99⅞	0	6⅞
Nat Bk Detroit ⅛ 96	100	99⅞	0	6⅞
Nat West ⅛ 05	400	100⅞	0	6⅞
Nat West Fin ⅛ 92	100	100	0	6⅞
Nationwide 1/10 96	250	99⅞	+0⅛	11⅞
Natl Com ⅛ 94	200	99	−0⅛	6⅞
NBD Bancorp ⅛ 2005	100	99⅞	0	6⅞
Northeast Sav 1/10 96	150	99⅞	0	6⅞
ONGC ⅛ 98	125	99⅞	0	6⅞
Oster Landbk ⅛ 98	100	100	0	6⅞
PNC Fin ⅛ 97	100	99⅞	+0⅛	6⅞
Quebec Hydro 2002	200		0	6⅞
Queensland Coal 1/20 96	300	99⅞	0	6⅞
Renfe ⅛ 91	100	99⅞	0	6⅞
Renfe 98	500	100	0	6⅞
Scandinavia Fin ⅛ 90	20	100	0	11⅞
Scot Intl Fin ⅛ 92	100	100	0	6⅞
Sec Pacific ⅛ 92	100	99	−0⅛	6⅞
SNCB ⅛ 91	75	100⅞	0	6⅞
Sweden ⅛ 2005	600	99⅞	+0⅛	6⅞
Taiyo ⅛ 04	100	100	+0⅛	6⅞
Takugin ⅛ 97	100	99⅞	0	6⅞
Thailand ⅛ 05	60	99⅞	0	6⅞
Vereinwest O/S Fin 91	100	99⅞	−0⅛	6⅞
Wells Fargo ⅛ 96	200	99⅞	+0⅛	6⅞
Wells Fargo ⅛ 97	250	99⅞	−0⅛	6⅞
Wells Fargo ⅛ 00	200	99⅞	+0⅛	6⅞
Wells Fargo ⅛ 96	50	99⅞	0	6⅞
Wells Fargo 0.225 92	150	99⅞	0	6⅞
Westpac Banking ⅛ 97	150	99⅞	−0⅛	6⅞
Woodside Fin (Feb) 97	300	100	+0⅛	6⅞
Woolwich Equit ⅛ 95	200	99⅞	0	11⅞
World Bank 0.35 94	250	99	0	5⅞
Zentral Und Kom ⅛ 91	30	99⅞	0	6⅞

CONVERTIBLE BONDS	Issued	Bid price	Chg. on week	Prem.
American Bakrs 6⅞ 01	70	104⅞	+1⅛	36.36
BET 6⅞ 01 £	65	112½	−2⅞	−100.00
Canon 3 00	100	120⅞	+6	−1.73
Citizen Watch 3 00	80	151	+7	5.74
Eastman Kodak 6⅞ 01	300	126⅞	+1⅛	12.95
Elders UK 5⅞ 98	175	173	−4	−2.39
Fanuc 3⅞ 98	80	275	+11	−4.28
Fujitsu 3 99	100	178	+2⅞	−3.74
Gibraltar Savings 7⅞ 06	100	105½	+1	18.10
ITT 4⅞ 87	80	112	+2⅞	−0.02
Kinder-Care Int 6⅞ 98	80	124⅞	+4⅞	35.25
Lorimar-Telepics 6 01	100	97	+2⅞	34.90
Newmont Mining 7 01	100	125	+3⅞	12.11
Nippon Seiko 3⅞ 99	70	126	+5	−4.18
Penney J C Int 4⅞ 87	35	113⅞	+6	−0.17
Rockefeller Centre 0 00	952	23	+0⅛	−71.83
Southwest Air 6⅞ 98	35	98⅞	+3	52.31
Swiss Bank Corp 6⅞ 90	120	167	−1	−10.30
Texaco Capital 11⅛ 94	500	0		
Toshiba Ceramics 3 00	80	126⅞	0	3.89
Xerox Corpn 5 88	75	96	+0⅛	34.30

YEN STRAIGHTS	Issued	Bid price	Chg. on week	Yield
Allied Signal 6⅞ 93	20	0		
Avon Products 6⅞ 91	25	107⅞	+1⅛	5.04
Barclays O/S 6 98	40	103⅞	+0⅛	5.66
BFCE 5⅞ 96	40	101⅞	−0⅛	5.63
Canadian Pacific 6⅞ 96	15	105⅞	+0⅛	5.57
Denmark 6⅞ 92	20	0		
Dow Chemical 7 94	50	103⅞	+0⅛	6.35
Eurofima 6⅞ 95	15	106⅞	+0⅛	5.70
Eurofima 6⅞ 92	15	0		
FNMA 6⅞ 92	25	108⅞	+0⅛	4.77
GMAC 6⅞ 90	25	105⅞	+0⅛	4.52
Int-Amer Dev 7⅞ 93	15	108⅞	+0⅛	6.62
Intel 6⅞ 92	12.5	102⅞	+0⅛	6.11
ITT 6⅞ 92	25	107⅞	+1⅛	4.93
McDonald Corp 6⅞ 92	25	107	+0⅛	4.4
New Zealand 7⅞ 90	15	106⅞	+0⅛	4.63
New Zealand 7⅞ 89	25	105⅞	+0⅛	4.70
Penney J C 6⅞ 92	20	0		
Philip Morris 6⅞ 91	20	0		
Sallie Mae 6⅞ 92	25	108⅞	0	4.71
TRW 7 94	15	102⅞	−0⅛	6.35
World Bank 7⅞ 93	25	114⅞	−0⅛	5.13
World Bank 8 93	20	114⅞	−0⅛	5.12

LUXFR STRAIGHTS	Issued	Bid price	Chg. on week	Yield
Asian Dev Bank 9⅞ 87	400	99⅞	0	9.41
EIB 10⅞ 94	1bn	107⅞	0	9.06
Eurofima 10 94	600	103⅞	0	9.24
Eur Coal & Stl 10⅞ 94	1bn	105⅞	0	9.78
Renault Acc 7⅞ 88	1bn	99⅞	0	7.86

GUILDER STRAIGHTS	Issued	Bid price	Chg. on week	Yield
ABN 7⅞ 89	200	104	0	6.08
ABN 8 89	200	104⅞	0	5.95
Amro Bank 7⅞ 89	350	103⅞	−0⅛	5.93
Amro Bank 8 89	200	103⅞	0	6.14
Beatrice Foods 8⅞ 89	100	102⅞	0	6.26
Bk Mees & Hope 8⅞ 90	100	104	0	6.08
CC Rabo 8 91	150	105⅞	0	6.02
Denmark 8⅞ 91	100	107⅞	0	6.34
Int Stand Elec 8⅞ 90	100	104	0	6.29
New Zealand 8⅞ 88	100	104⅞	0	6.16

CANADIAN DOLLAR STRAIGHTS	Issued	Bid price	Chg. on week	Yield
AIDC 10 91	100	102⅞	+⅞	9.04
Aust Resources 11⅞ 92	50	108⅞	+0⅛	9.44
Bank of Tokyo 10⅞ 92	75	102	0	10.34
Bge L'Indosuez 14 91	75	112	0	10.44
Br Col Munic 13⅞ 91	100	111⅞	−0⅛	9.18
Br Col Munic 13⅞ 91	75	114⅞	+0⅛	9.3
Br Col Tele 12⅞ 96	60	105⅞	+0⅛	11.23
Ferm Cred Corp 12⅞ 90	75	107⅞	0	9.06
Kreditbank 12 92	75	107	0	10.13
Laval City 10⅞ 96	40	101⅞	0	9.91
Montreal City 12⅞ 91	80	110	−0⅛	9.25
New Brunswick 12 95	75	112⅞	0	9.69
Nova Scotia 11⅞ 95	100	110⅞	−0⅛	9.64
Royal Trustco 10⅞ 90	75	104⅞	+0⅛	8.93

ECU STRAIGHTS	Issued	Bid price	Chg. on week	Yield
ABN 9⅞ 92	100	103⅞	+2⅞	8.61
Aegon NV 7⅞ 95	101	99⅞	+0⅛	7.98
All Nippon Air 8 95	100	100⅞	+0⅛	7.85
Australia & NZ 10⅞ 91	100	104⅞	−0⅛	8.37
Austria 10⅞ 93	100	103⅞	0	8.59
BFCE 9⅞ 93	100	102⅞	0	8.15
BFCE 9⅞ 92	100	104⅞	+0⅛	7.66
BNP 9⅞ 95	100	104⅞	+0⅛	8.07
Caisse Nat Tele 9⅞ 92	75	105⅞	+0⅛	7.53
Chrysler Fin 9 92	75	102	+2	8.53
Colgate-Palmolive 8 91	75	101⅞	+0⅛	7.47
Cred Lyonnaise 8⅞ 92	175	103	+0⅛	8.73
Cred National 10⅞ 94	50	109⅞	−0⅛	8.99
Cred National 11⅞ 91	50	107⅞	−0⅛	7.96
Creditanstalt 8⅞ 94	57	105⅞	−0⅛	7.93
Denmark 7⅞ 96	250	99⅞	+0⅛	8.20
Ebco Intl 10⅞ 90	85	102⅞	0	9.29
EEC 11⅞ 91	80	107⅞	0	8.36
EIB 8⅞ 95	200	102⅞	+0⅛	8.20
EIB 10⅞ 94	120	0		
EIB 11⅞ 92	75	108	−0⅛	9.14
Genfinance 11 90	70	107⅞	0	8.19
Giro Vienna 10⅞ 93	60	107⅞	0	8.87
GTE Finance 10⅞ 92	75	105⅞	+0⅛	9.22
Ireland 10⅞ 95	85	103⅞	+0⅛	9.04
Italian Govt 10⅞ 92	600	105⅞	−0⅛	8.34
Italian Trea 11⅞ 90	500	105⅞	+0⅛	8.66
Italy 9⅞ 95	250	103⅞	0	7.37
Kredietbank L 9⅞ 92	75	102⅞	0	8.69
Morgan Gty Tst 8⅞ 90	100	102⅞	−0⅛	7.38
Royal Bk Can 10.5 89	60	102⅞	0	8.25
Swedish Export 11 89	60	103⅞	0	9.82
West LB 10⅞ 91	60	103⅞	0	9.17
World Bank 10⅞ 96	100	104⅞	0	8.88

AUSTRALIAN DOLLAR STRAIGHTS	Issued	Bid price	Chg. on week	Yield
BMW Fin A 13⅞ 96 SW	75	101⅞	−0⅛	13.49
Nat Aust Bk 12⅞ 90	50	95⅞	−0⅛	15.19
SBC Australia 12⅞ 90	50	98⅞	0	13.19
Westpac Bking 12⅞ 90	50	95⅞	−0⅛	14.88

STERLING STRAIGHTS	Issued	Bid price	Chg. on week	Yield
British Oxygen 11⅞ 91	50	103⅞	+0⅛	10.69
Denmark 10⅞ 95	60	100⅞	+0⅛	10.31
EEC 11⅞ 94	50	105⅞	+0⅛	10.20
Embert 11 92	35	102⅞	+0⅛	10.40
Europerf 11⅞ 92	50	104⅞	+0⅛	10.19
Halifax BS 9⅞ 93	100	97⅞	0	10.48
Ind B Japan 11⅞ 95	50	103⅞	+0⅛	11.19
Int Stand Elec 11⅞ 95	30	101⅞	+0⅛	10.34
Investors Indus 10⅞ 93	50	101⅞	+0⅛	10.45
Ireland 11⅞ 94	100	103⅞	+0⅛	10.74
Kredietbank 10⅞ 92	50	101	+0⅛	10.59
Leeds Permanent 9⅞ 92	50			
Mitsbshi Fin HK 11 90	30	102⅞	+0⅛	10.07
World Bank 10⅞ 86	100	102⅞	+0⅛	9.80
World Bank 11⅞ 86	100	109⅞	+0⅛	10.50
Yamaichi S 3⅞ 91 XW	20	107⅞	+0⅛	11.2

EQUITY WARRANTS	Expiry date	Bid price	Chg. on week	Prem.
Casio Computer	6/1/90	45	+5⅞	9.54
Dowa Mining	20/7/90	11	+1	69.5
Fujita Corpn	8/3/91	25	+4	44.5
Fujitsu	31/1/91	25	+4	21.7
Gunze	22/11/90	37	−4	−0.6
Minebea	22/5/91	13	+3⅞	9.39
Renown Inc	24/1/90	20	−1	12.6
Seino Trans	17/3/89	71	−4⅞	−2.7
Sonoike Mfg	12/9/91	77	+2⅞	26.7
Sony Corp	28/4/90	0		
Sumitomo Corp	10/12/90	40⅞	+8	5.8
Toray Ind	17/10/90	20	+2⅞	12.6
UNY	16/4/91	43	+2⅞	56.0

BOND WARRANTS	Expiry date	Bid price	Chg. on week	Bond warr ex yld
Aegon Ins 11⅞ 91	16/2/88	11⅞	+1⅞	8.9
Dart Kraft F 10⅞ 96	1/1/96	25	−1	9.5
D Norske Cr 9⅞ 96	8/8/88	21	−1	7.5
Eksportfinas 13⅞ 89	15/9/87	125	0	7.05
Holland Air 11⅞ 91	10/8/88			
Ind Bk Jpn 12⅞ 91	8/10/88	77⅞	+2⅞	8.2
J P Morgan 11⅞ 90	15/8/87	76	+3	8.1
Mitsubishi F 12⅞ 91	8/11/89	75	−5	8.1
Nordic Iv Bk 7⅞ 93	30/10/91	25	−1	7.5
Suml Tr Fo 12⅞ 92	20/2/92	180	0	8.4
Wlls Frgo A 12⅞ 91	27/12/88	85	+5	8.3
Weyerhsr C 11⅞ 90	15/11/87	86	+2⅞	8.2

STRAIGHT BONDS: Yield to redemption of the mid-price. Amount issued is expressed in millions of currency units except for yen bonds, where it is in billions.

FLOATING RATE NOTES: US dollars unless indicated. Margin above six-month offered rate (‡ three-month; § above mean rate) for US dollars C.cpn=current coupon.

CONVERTIBLE BONDS. US dollars unless indicated. Prem=percentage premium of the current effective price of buying shares via the bond over the most recent share price.

WARRANTS: Equity warrant prem=exercise premium over current share price. Bond warrant ex yld=exercise yield at current warrant price.

Closing prices on February 20

UK COMPANY NEWS

Birmid promises a strong fight against Hepworth merger

BY MIKE SMITH

BIRMID QUALCAST, the lawnmowers and boilers group, yesterday promised to put up a strong fight after Hepworth Ceramic announced it was seeking a merger between the two companies.

"We do not see the logic of a merger and we want to remain independent," said Mr Alan Emson, finance director. "We will talk to them of course, but on the face of it there is no synergy between us."

Speculation that a takeover battle could be imminent was sparked on Friday when Birmid revealed that Hepworth, building products group, had acquired a 4.9 per cent stake in its equity. Birmid's shares ended the day at 224p, a rise of 37p.

Mr John Reynolds, one of the J Henry Schroder Wagg team advising Hepworth, said yesterday that the case for a fit between the two companies was overwhelming.

"Both companies are strong, but together they would be stronger."

Birmid has been considered a likely bid target for some time but it believes its defences will be strengthened by a strong current trading record. In the year to November 1, 1986 results for which were announced 10 days ago, profits rose 30 per cent to £13.09m. Turnover was little changed at £203.79m.

For the current year analysts are expecting profits of about £16.5m.

Hepworth, which is chaired by Professor Roland Smith, also showed a 30 per cent rise in pre-tax profits when it last reported. The out-turn for the half year to June 30 was £17.66m, against £13.54m the year before. For the full year analysts are expecting about £41.5m.

Shares in Hepworth closed on Friday at 231p, unchanged on the day.

New Panel rules reveal 60 bid share dealings

BY MARTIN DICKSON

ABOUT 60 dealings in the shares of companies involved in bids were disclosed to the Takeover Panel in the first week of operation of its tough new rules on the publication of such information.

The new rules, which came into effect a week ago, lay down that anyone owning or controlling more than 1 per cent of the shares of a company involved in a bid must disclose any dealings made in that company's shares during a bid.

Until the new rules — which are in response to the Guinness and other City scandals — the disclosure had not been necessary until a 5 per cent stake was held.

In addition, the owners of such stakes, as well as parties to the takeover and their associates, can no longer hide behind nominee or vehicle companies. New forms issued by the Panel insist that the owner or controller of the securities is named.

The rules should make much more transparent the activities of professional arbitrageurs — dealers who buy shares during a bid in the hope of selling out at a profit — and should make it more difficult for anyone to rig a company's share price through selective buying or selling of shares.

An analysis of the first week's batch of disclosures shows that these were overwhelmingly made either by fund management groups holding more than 1 per cent of a company's shares or by associates of the parties involved in bids.

There is little or no evidence of arbitrageurs at work.

Only 5 or so disclosures a day concerned contested takeover bids. The Takeover Panel, acting in conjunction with the Stock Exchange, is understood to have spotted a number of cases where investors should have declared a deal and had failed to do so, apparently because of lack of familiarity with the new rules.

Investors who have made a considerable number of disclosures under the new rules include Kleinwort Grieveson, Hill Samuel Investment Management, and Schroeder Investment Management.

Under the new rules, the parties to a bid and their associates must state publicly the identities of the person dealing, th eowner or controller of the securities and the resultant shareholding. Associates have to explain why disclosure is necessary.

FT Share Information

The following securities have been added to the Share Information Service:

Home Group (Section: Americans)
Spandex (Industrials)
Tribble Harris (Industrials)

Nikki Tait on the merger activity in investment trusts

Keeping up take-out values

"Infuriating," sighed Eric Elstob, director of Foreign and Colonial, as his Eurotrust's £74m bid for General Funds Investment Trust failed by a slender 2.7 per cent margin ten days ago.

No doubt—but is F & C's experience, in a bid which offered a cash alternative equivalent to over 96 per cent of General Funds' formula asset value—calculation of the value of a trust's holdings made in a bid—also a cautionary tale for other would-be predators in the investment trust sector? Prices paid for investment trusts appear to be on the rise.

1986 produced a new wave of corporate activity among trusts. According to Wood Mackenzie, bids totalling almost £600m were made for funds during the year, with unitisations withdrawing a further £161m from the sector.

By far the largest name to disappear was Philip Hill Investment Trust, which went for £330m to BPCC; next came the £90m bid for the 1928 Trust from London and Edinburgh Trust.

To date, that trend has spilled over into 1987. Aside from the General Funds bid, there has already been a smaller, but successful £55m offer by Sydney-based Panfida for "Investing in Success," whose management is shared with General Funds.

Not surprisingly, the investment trust sector has enjoyed a substantial re-rating. For years, most trusts have traded at a discount to the net value of their assets, but the discount has narrowed from over 20 per cent at the start of 1986 to around 18.5 per cent by the end of the year, a ten-year low. Moreover, the rise in the FTA Investment Trust index has easily outstripped the rise in the All-Share.

More interesting, though, is the apparent upswing in the terms which successful predators are now paying to take out their target trusts, as shown by the table.

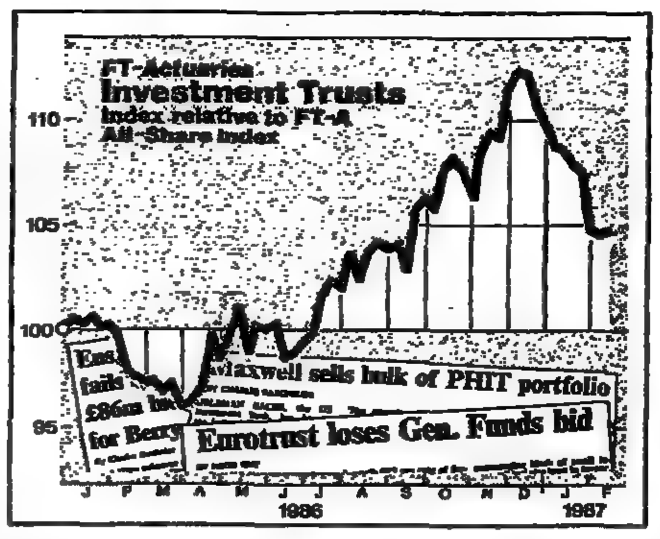
Is this mere chance—or a genuine change in the investment trust bid scene and return to higher terms seen in the past?

Those who hope it is the latter point to the recent bids which have been disguised rights issues—in other words where the bidding company issues paper to buy a portfolio of shares held by a trust, which it promptly sells for cash. It is no coincidence that the highest offers last autumn—Winter Bottom, Philip Hill, 1928, Glasgow Stockholders—were all desguised rights issues.

When one investment trust takes over another, it automatically finds that the amount it can offer without entailing dilution is constrained by the discount to asset value on which the two companies stand. In the case of Eurotrust/General Funds, for example, fund managers reckoned that 97 per cent was very much the upper limit.

The leeway for a corporate predator, who simply liquidates the fund's holdings—especially in rising markets—is much greater.

Indeed, in the course of the Mowlem/Glasgow Stockholders bid the defending side effectively argued up the formula asset value of its fund by suggesting a higher price-tag should be put on unquoted stocks in the portfolio. So, although the cash alternative formally remained at 99.5 per cent of formula asset value—preventing any new underwriting—the effective cash take-out worked out at around 102 per cent.



The post-BigBang era of the "bought deal" has made life a good deal easier for these corporate predators; the portfolio involved can be sold on wholesale to a securities house more quickly and more closely to asset value.

Cost, though, is not the major consideration—indeed bankers suggest that there is little difference between the overall expense of a disguised rights issue despite the narrower underwriting discount. The big advantage of the investment trust takeover is the speed at which the money can be raised—assuming agreement from the target board, three weeks is possible—and the opportunity to avoid swamping existing shareholders with yet more paper.

Even so, advisers scarcely report a queue of would-be corporate predators. "It's an idea you have to take to the client." comments one.

A second reason for believing that the higher take-out values are here to stay is the Antipodean interest in the sector. The Wemyss, IIS, and PHIT bids all involved predators from Down Under.

A third is that rising corporate activitiy and general regeneration within the sector has made funds more aware of their merits and more likely to put up a defence—witness the Glasgow Stockholders haggling.

Certainly, institutional investors are anxious that the band-wagon should continue. "I wouldn't have wanted to be a party to helping take-out values slip back," comments one fund manager, explaining one of his motives in turning down the Eurotrust offer.

The corporate activity, he concedes, is keeping discounts in the 15 to 20 per cent range, and he is all to well aware of the tendency by advisers to point to behaviour in previous bids when arguing that his funds should accept in future situations.

That said, there is an equally strong body of opinion which believes that investment trust bids will always depend on the merits of each individual case. The Eurotrust offer, they point out, was for a fund which—though low profile—had a reasonable track record and a portfolio which could be easily liquidated. Moreover, the paper terms offered a switch into a highly-rated trust—the F & C Fund stands on a premium to asset value.

There were fears that the near-trebling in size of the trust which F & C's success would have entailed, could have destroyed that rating. Nor, for that matter, was the prospect of shares in a Euro-invested fund universally enticing.

In addition, there was probably the thought that a corporate predator might well offer more in a few months' time. And that is little comfort for General Funds — nor for management groups generally.

CASH ALTERNATIVES

Target	Bidder	Date	*Alternative per cent
City & Foreign†	Havard Secs.	March	90
Ashdown	British Empire	April	95
Govett Enterprise	Govett Atlantic	April	96
Continental & Indust.	TransAtlantic	June	96.5
Winterbottom	Carless Capel	June	98.5
Wemyss	ATS Res.	June	100
Berry†	Ensign	July	92
Philip Hill	BPCC	August.	98
PHIT	Wingate	Oct.	98.2
1928	London & Edinburgh	Nov.	100
Glasgow Stockholders	John Mowlem	Nov.	99.5
Investing in Success	Panfida	Jan.	94
General Funds†	F & C Euro.	Jan.	96.4

* Cash alternative as a percentage of formula asset value.
† Bid failed.

Peter Black sale

PETER BLACK Holdings (consumer goods manufacturer) has sold its freehold property at Welham Green, Hatfield, for £1.54m cash. The property, valued in the latest accounts at £1.02m, was surplus to requirements, and the proceeds are being used for further group development.

BOARD MEETINGS

TODAY

Interims—DPCE, Fil Group, Global Group, News Corporation, News International.

Finals—Continental and Industrial Trust, Edinburgh Financial Trust, Electronic Machine, Jebsens Drilling, Renown Incorporated, Vickers.

FUTURE DATES

Interims—

Armstrong Equipment	March 23
Shandwick	March 9

Finals—

Anglo American Gold Invst.	March 5
Bensons Crisps	March 10
Davies and Metcalfe	March 23
Federated Housing	March 11
Hambro Countrywide	March 24
Jaguar	March 5
Law Debenture	March 5
Morrison (William) Supermarkets	April 2

Goldcrest offered a full bid alternative

BY MIKE SMITH

SHAREHOLDERS in Goldcrest, the troubled independent film company, have been offered a full bid alternative to the refinancing package which the company has agreed in principle with an American property developer.

Mr Jake Eberts, Goldcrest chief executive, said yesterday that a bid had been received from Masterman, a company jointly-owned by Brent Walker and Ensign Trust.

Mr Eberts was unable to gve financial details of the offer. He said the bid was subject to "all sorts of conditions. I think it is most unlikely they would be met."

Shareholders representing 60 per cent of the equity have already agreed in principle a deal by which Mr Earle Mack would inject £5.7m in return for an 85 per cent stake in the company.

That package would considerably dilute existing interests. Larger shareholders — like Pearson, the diversified group which owns the Financial Times and holds 41 per cent of Goldcrest's equity — support the deal but there is speculation of opposition from small investors.

Mr Eberts said an informal shareholders' meeting would be held next Monday to discuss the alternatives for the company.

Goldcrest was founded 10 years ago by Mr Eberts, a Canadian investment banker. Among films in which it has been involved are Local Hero, Gandhi and Chariots of Fire. Just over a year ago the company was forced to make a £20m write-off, largely due to losses on the film Revolution.

PENDING DIVIDENDS

Dates when some of the more important company dividend statements may be expected in the next few weeks are given in the following table. The dates shown are those of last year's announcements except where the forthcoming board meetings (indicated thus *) have been officially notified. Dividends to be declared will not necessarily be at the amounts in the column headed "Announcement last year."

	Date	Announcement last year
*Anglo American Gold	Mar 5	Final 825c
*Armstrong Equipment	Mar 23	Interim 0.75
*BAT Inds	Mar 25	Final 7.35
*BICC	Mar 25	Final 7.5
BTR	Mar 12	Final 5.0
Babcock Intl	Mar 26	Final 4.4
*Barclays Bk	Feb 26	Final 10.2
Barratt Developmts	Mar 20	Interim 2.254
Bejam	Mar 12	Interim 2.0
Berisford (S. and .W.)	Feb 24	Final 7.0
Booker	Mar 25	Final 7.75
*Brent Chems	Mar 23	Final 3.35
Bridon	Mar 26	Final 3.5
British Aerospace	Mar 25	Final 10.0
British Car Auction	Mar 25	Interim 1.5
*British Vita	Mar 9	Final 3.75
Britoil	Mar 20	Final 8.0
Bryant Holdings	Mar 25	Interim 1.2
*Cadbury Schweppes	Feb 26	Final 4.3
*Commercial Union	Mar 4	Final 9.95
*Cons Gold Fields	Mar 4	Interim 5.5
Croda Intl	Mar 27	Final 4.0
DRG	Mar 19	Final 4.95
Delta	Mar 21	Final 4.15
De Beers	Mar 11	Final 40c
Exco	Mar 21	Final 2.5
Expamet International	Mar 19	Final 5.0
Fisons	Mar 4	Final 3.34
General Accident	Mar 5	Final 14.0
General Mining	Mar 13	Final 140c
Grattan	Mar 21	Final 4.0
Guest Keen	Mar 12	Final 7.5
Hepworth Ceramic	Mar 19	Final 4.3
Hickson Intl	Mar 24	Final 10.0
Hillsdown	Mar 11	Final 3.0

	Date	Announcement last year
*Hongkong Shanghai Bk	Mar 10	Final 80.31
Horizon Travel	Mar 26	Final 3.52
Iceland Frozen Foods	Mar 25	Final 4.4
*Jaguar	Mar 5	Final due
*ICI	Feb 26	Final 20.0
Legal and General	Mar 20	Final 16.0
*Lloyds Bank	Feb 27	Final 12.8
Lucas Inds	Mar 26	Interim 2.8
London Scott Marine Oil	Mar 25	Final 7.7
*McAlpine (A.)	Feb 24	Final 8.7
Marley	Feb 24	Final 2.35
*Midland Bank	Mar 4	Final 14.5
*NatWest	Feb 24	Final 18.2
P & O	Mar 25	Final 10.0
*Prudential	Mar 24	Final 17.0
*Royal Insce	Feb 26	Final 16.55
Rowntree Mackintosh	Mar 13	Final 8.2
*Shell	Mar 5	Final 22.6
Sime Darby	Mar 8	Interim due
Smith and Nephew	Mar 20	Final 3.25
Spring Ram	Mar 24	Final 1.21
Standard Chartered	Mar 25	Final 20.0
Steetley	Mar 24	Final 8.0
TI	Mar 6	Final 5.0
*Transport Dev	Mar 16	Final 4.5
Tricentrol	Mar 26	Final 1.0
*Turner and Newall	Mar 18	Final 3.85
Ultramar	Mar 12	Final 6.5
*Unilever	Mar 3	Final 27.06
Utd Biscuits	Mar 18	Final due
*Vickers	Feb 23	Final 8.0
Williams Holdings	Mar 6	Final 8.0
Wimpey (G.)	Mar 24	Final 2.5
Woolworth	Mar 26	Final 7.0
*York Chems	Feb 25	Final 3.0

* Board meeting intimated. † Rights issue since made. ‡ Tax free. § Scrip issue since made. ¶ Forecast

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

	Bid Price	Offer Price	+ or −	Yield Gross
Abbey Unit Tst. Mngrs. (a)				
80 Holdenhurst Rd, Bournemouth			0345 717373	
High Income				
American Income	51.7	55.0	−0.4	4.77
Gilts & Fixed Int.	121.2	117.6	−0.1	10.20
High Inc Equity	112.4	119.5	−0.5	4.35
Worldwide Bond	200.5	213.2	−0.8	4.55
Capital Growth				
American Growth	170.7	181.5	−1.6	0.78
Asian Pacific	67.8	72.1	+0.8	1.57
Assets & Emgs. Tst.	131.4	139.7	+1.2	2.05
Capital Reserve	68.5	68.9		1.47
Commodity & Enrgy	118.0	125.5	+1.6	0.91
European Capital	94.9	102.9	+1.7	1.26
General	159.5	169.6	+1.3	2.50
Japan	78.5	83.5	−0.1	0.0
Mastertrust	73.6	78.2	+0.7	2.10
UK Growth Acc Units	181.5	193.0	+1.1	0.81
UK Growth Dist	125.5	133.5	+0.7	1.18
U.S. Emerging Co's	62.5	66.5	−0.1	0.08
Equitas Prog	249.5	265.4	+1.4	2.72
Allied Dunbar Unit Trusts PLC (a)(g)				
Allied Dunbar Centre, Swindon, SN1 1EL (0793) 28291.			Dealing (0793) 610366	
Balanced Trusts				
Growth & Inc Trust	155.2	164.9	+1.1	3.12
Capital Trust	262.4	278.1	+2.9	2.48
Balanced Trust	419.6	444.8	+3.1	2.99
Accum Trust	645.3	684.0	+5.1	2.78
Income Trusts				
American Income Tst.	34.2	36.4	−0.1	4.09
High Income Trust	290.6	308.0	+1.0	4.22
Equity Income Trust	162.5	172.2	+0.5	4.34
High Yield Trust	167.2	177.2	+0.5	4.92
Govt Secs Trust	29.2	30.3	−0.1	8.05
International Trusts				
Amer Spec Sits Tst	74.8	79.7	−0.4	1.39
European Growth Tst	23.3	24.8	+0.3	0.80
International Tst.	101.4	108.0	+0.2	0.75
Japan Tst.	126.3	134.5	−0.8	0.01
Pacific Tst.	208.7	222.3	+0.1	0.81
Secs of Amer Tst.	227.8	242.6	−1.0	0.50
Worldwide Ass Val Tst	26.8	28.5		1.00
Specialist Trusts				
Asset Value Tst.	269.4	286.0		3.03
Convertible & Gilt Tst.	38.3	40.4	+0.2	5.94
Smaller Co. Tst.	150.9	160.0	+0.7	2.73
2nd Smlr Co's Trust	191.6	203.3	+0.6	1.97
Recovery Trust	98.7	104.6	+0.9	2.79
Met. Min. Cmy. Tst.	103.1	109.8		1.33
O'seas Eqg. Tst	221.3	234.8	+1.9	2.53
Technology Tst.	104.7	111.5	−0.6	0.84
UK Special Sits	262.5	278.3	+1.5	2.87
Exempt Trusts				
Income Ex. Tst.	154.7	164.0	+0.7	4.77
Far East Ex. Tst.	237.8	252.1	+1.4	0.67
Smaller Co. Ex. Tst.	300.5	318.5	+1.0	2.73
U.S.A. Ex. Tst.	375.5	399.9	−2.0	1.16
Anthony Wieler Unit Tst. Mgmt. Ltd				
19 Widegate St, London E1 7HP			01-377 1010	
Wieler Gwth Fd. Inc	98.4	105.6		1.20
Do. Accum.	136.1	146.3		1.20
Wieler Qrtrly Inc Fd	52.8	56.6		—
Archway Unit Tst. Mgs. Ltd(a)(c)				
31 Sun Street, London EC2M 2QP			0708 45322	
Fund	115.6	125.4		3.27
Growth Fund	47.9	51.0		1.65
High Yield Equity Fd	76.6	81.5		5.21
Arkwright Management				

	Bid Price	Offer Price	+ or −	Yield Gross
Barrington Mgmt Co Ltd (z)				
10 Fenchurch Street London EC3			01-623 8000	
American Smaller Co	70.0	73.9	+0.9	0.91
(Accum Units)	71.8	75.3	+0.9	0.91
European Fund	101.5	107.1	+0.3	1.23
(Accum. Units)	125.1	132.0	+0.3	1.23
Fund of Inv Ts.	25.1	26.5	−0.3	1.75
(Accum Units)	32.2	34.0	−0.3	1.75
General Fund	194.4	205.1	−3.1	2.54
(Accum. Units)	268.7	283.5	−4.3	2.54
Gilt Yield	113.8	117.5	+0.5	9.99
(Accum Units)	185.7	193.2	+0.3	9.99
High Yield	104.9	110.7	−1.5	4.50
(Accum Units)	213.1	224.8	−3.1	4.50
Int Recovery Fund	116.2	122.6	−0.1	1.80
(Accum. Units)	122.7	129.5	−0.1	1.80
Japan Fund	239.7	252.9	−0.3	0.47
(Accum. Units)	241.4	254.7	−0.3	0.47
Japanese Special	112.5	118.7	−0.7	0.51
(Accum. Units)	112.9	119.1	−0.7	0.51
North American	59.7	63.0	+1.5	0.66
(Accum. Units)	69.4	73.2	+1.8	0.65
Pacific Fund	148.2	156.3	+1.1	0.56
(Accum Units)	167.4	176.2	+1.3	0.55
Planned Investment	152.4	161.1		3.52
Smaller Companies	100.9	106.4	−0.3	0.85
(Accum Units)	120.3	126.9	−0.4	0.85
UK Equity Growth	32.1	33.9	−0.4	0.50
(Accum Units)	53.2	56.1	−0.8	0.50
Worldwide Tech	45.0	47.0	−0.2	0.61
(Accum Units)	45.8	48.3	−0.2	0.61
KB High Yield	158.6	167.1	−2.9	4.81
(Accum Units)	259.5	273.3	−4.2	4.81
Bell Court Fund Mngt PLC				
11 Blomfield Street, London EC2M 7AB.			01-588 5171	
Far Eastern	269.0	287.0		0.70
America	232.5	248.5		0.8
UK & European	371.5	394.5		1.52
Bishopsgate Progressive Mgmt. Co				
15 St James' Place, London SW1A 1NW			01-493 8111	
Progressive Inc	1298.0	1374.0		1.67
Progressive Acc	1789.0	1894.0		1.67
International Inc	1482.0	1569.0		2.02
International Acc	1818.0	1923.0		2.02
Beckman	217.7	226.1		—
Can & Foreign Inc	175.1	184.3		2.05
Can & Foreign Acc	187.6	197.1		2.05
Brewin Dolphin Unit Tst Mngrs Ltd				
5 Giltspur St, London EC1A 9DE			01-248 4400	
Brewin Capital Fd	159.5	165.3		1.05
Brewin Dividend Fd	78.7	81.6		6.73
Brewin Int. Gilt Inc Fd	180.7	187.3		4.03
Bridge Fund Managers (a)(c)				
20, Copthall Avenue, London, EC2R 7PA. 01-588 6064.				
Amer. Gen. Inc.†	84.7	92.1		0.42
Do Acc†	86.0	93.5		0.42
Income*	184.8	197.8		4.50
Capital Inc.‡	147.9	159.0		1.58
Do. Acc.‡	194.1	208.7		1.58
Exempt‡	336.0	361.0		1.57
Intl. Recovery Inc.‡	40.3	43.3		3.26
Do. Acc.‡	54.5	58.6		3.26

Dealing *Tues. ‡Wed †Thur. Prices Feb 17/18/19.

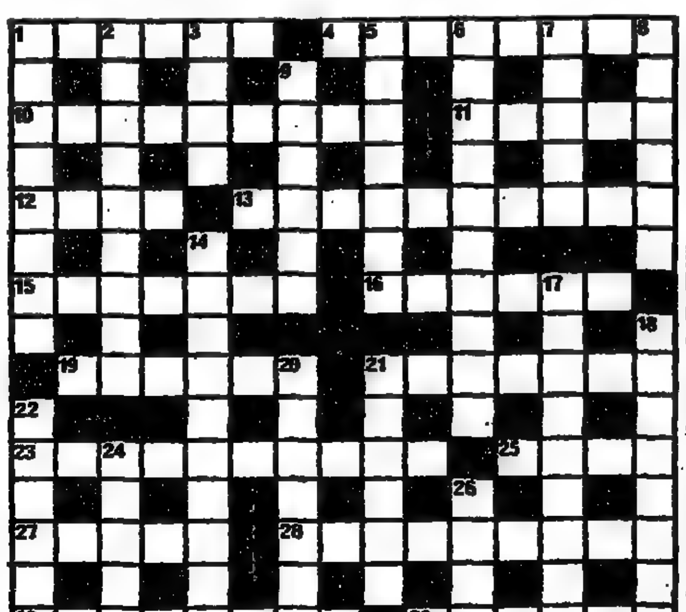
Britannia Unit Trust Managers Ltd—see MIM Britannia Unit Trust Managers Ltd

Brown Shipley & Co Ltd (a)(g)

9-17 Perrymount Rd, Haywards Hth 0444 412262/3/4/5

	Bid Price	Offer Price	+ or −	Yield Gross
B.S. Portfolio Fnd	80.2	85.7	+0.7	2.36
B.S. Accum.	136.1	145.5	+1.2	2.38
European Fund	22.9	24.5	+0.3	0.77
Exempt Fund	259.9	278.0	+2.0	2.17
Financial	153.0	163.6	+0.6	2.21
Gearing	32.0	34.2	+0.5	0.49
High Income	79.2	84.7	+0.3	4.84
Income	90.0	96.3	+0.3	4.04

INSURANCES



FT CROSSWORD PUZZLE NO. 6,260

PROTEUS

ACROSS

1 Grapple with ship's ropes (6)
4 River encircling unproductive shrub (8)
10 Rude figure accepted as unable to meet obligations (9)
11 Quintet first tackled at fashionable evening party (5)
12 One having to turn metal over (4)
13 Purification ceremony required after a certain amount of carnal desire? (10)
15 Rebel girl going out to school (7)
16 Fix bench (6)
19 Leave vehicle and escape (3, 3)
21 Rescuer embracing one with relish (7)
23 Flower found in money-box inside monastery (10)
25 Lay plans in bed (4)
27 The boredom induced by some unforeseen nuisance (5)
28 May be needing first edition of author (9)
29 Acidity shown by girl to head (8)
30 Withdrawing to retired spot (6)

DOWN

1 Cake in test case at court of arbitration (8)
2 Chastise players at one entrance (9)
3 Artist of noble lyricism (4)
5 Understatement in untruths about child (7)
6 Tart prepared to get busy and be pleasing (10)
7 Some sun-burned hot Indian in loin-cloth (5)
8 Settling relative rank of seaman (6)
9 Algerian pasha holding place for subordinate official (6)
14 Declaration of French attitude (10)
17 Real gloom may seem to be impending (4, 5)
18 Squanders food (8)
20 Steals records involving church (7)
21 Trifles recalling Black Sunday (6)
22 Bring about a result (6)
24 Some maintain nerve close to bull (5)
26 Lady has nothing for footwear (4)

The solution to last Saturday's prize puzzle will be published with names of winners next Saturday.

AUTHORISED UNIT TRUST & INSURANCES

Cannon Assurance Ltd
1 Olympic Way, Wembley HA9 0NB 01-902 8876

2nd Series Life Accumulation				
Equity	372.8	395.6	-8.0	—
High Income	318.9	337.5	-6.7	—
Property	217.2	229.5		—
Managed	267.2	282.8	-1.1	—
Deposit	177.8	186.1		—
Gilt	165.1	175.9	+1.2	—
American	275.9	292.2	+1.4	—
International Money	193.5	210.1	+0.3	—
Index	115.3	122.5	+0.4	—
Far East	215.3	227.8	+2.8	—
Global	107.9	114.2	+0.5	—
European	108.5	114.6	+1.3	—
Japan	113.1	119.7	+1.3	—
Residential Property	97.0	102.1		—
2nd Series Pension Accumulation				
Equity	597.9	632.6	-14.9	—
High Income	381.8	404.1	-9.0	—
Property	305.5	323.3		—
Managed	386.7	411.3	-2.2	—
Deposit	264.9	280.3		—
Gilt	251.2	275.4	+2.0	—
American	435.5	464.0	+2.4	—
International Money	285.6	302.1	+0.4	—
Index	127.3	134.7	+0.4	—
Far East	238.3	252.2	+3.4	—
Global	111.5	119.0	+0.4	—
European	112.2	118.7	+1.1	—
Japan	118.3	125.2	+1.7	—
Residential Property	98.0	103.7		—
Other Funds				
Equity Units		£21.23	-1.77	—
Property Units		22.94		—
Equity Bond/Exec	49.66	52.51	-1.12	—
Property Bond/Exec.	20.99	32.75		—
Balanced Bond/Exec	37.66	39.85	-0.19	—
L&E SIF 1	125.0	132.5	-0.5	—
L&E SIF 2	81.0	86.3	-0.5	—

City of Edinburgh Life Assurance
46 Charlotte Sq, Edinburgh EH2 4HQ 031-225 1655

Ivory & Sime Bond	121.0	129.0		—
Risk & Reward Bond	157.0	165.0		—
Murray Johnstone Fd	136.0	144.0		—
Money Market Fd	111.0	117.0		—
Investment Strategy Fd	120.0	126.0		—
Ivory & Sime Pens Fd	121.0	125.1		—
Risk & Reward Pens Fd	136.0	144.0		—
Murray J'stone Pens Fd	135.0	141.2		—

Devonshire Life—Contd.

Money	100.9	106.2		—
Pen Managed	141.6	149.2	-0.1	—
Pen World Growth	108.7	114.5	+0.8	—
Pen UK Equity	158.4	166.9	-1.5	—
Pen UK Small Cos.	141.1	148.6	+0.6	—
Pen European	101.2	106.6	+1.6	—
Pen Far Eastern	249.5	262.8	+4.9	—
Pen Nth American	100.1	105.5	+0.2	—
Pen Fixed Interest	113.4	119.5	+0.5	—
Pen Index Lnkd Sto.	106.3	112.0	+0.5	—
Pen Money	105.9	111.5		—

Eagle Star Insurance Co Ltd
Bath Road, Cheltenham GL53 7LQ 0242 521 311

Secure Fund	104.7	110.3	(z)	—
Blue Chip Fund	138.7	146.0	(z)	—
Performance Fund	165.3	174.1	(z)	—
Adventurous Fund	158.7	167.1	(z)	—
Pension Secure	96.2	101.3	(z)	—
Pensions Blue Chip	107.0	112.7	(z)	—
Pensions Performance	106.9	112.6	(z)	—
Pensions Adventurous	106.3	111.9	(z)	—
Pensions With Profits	102.1	107.5	(z)	—

Eagle Star Insur/Midland Assur.
1 Threadneedle St, London EC2 01-588 1212

Eagle/Mid. Units	134.1	190.8	0.8	3.86

Equitable Life Assurance Society
4 Coleman Street, London EC2R 5AP 01-606 6611

Far Eastern	182.5	192.1	+0.3	—
Fd of Inv Tst	154.6	162.7	+0.6	—
Gilt & Fixed Int	116.9	123.1	-0.2	—
High Income	172.6	181.7	+0.5	—
Intnl Growth	116.2	122.3	+0.5	—
Managed	140.8	148.2	+0.6	—
Money	109.5	115.3		—
North American	129.5	136.3	+0.8	—
Pelican	162.8	171.4	+1.2	—
Property	109.0	114.7	+0.1	—
Special Sits	169.5	178.4	+1.5	—
School Fee Managed	155.8	164.0	+0.9	—
Pension Funds				
Far Eastern	209.7	220.7	+0.4	—
Fd. of Inv. Tsts	171.9	180.9	+0.7	—
Gilt & Fixed Int	121.6	128.0	-0.3	—
High Income	199.7	210.2	+0.6	—

[illegible]

INSURANCE, OVERSEAS & MONEY FUNDS

OFFSHORE AND OVERSEAS

MANAGEMENT SERVICES

World Fund S.A.
2 Boulevard Royal, Luxembourg
World Fund NAV ..... $21.09 | -0.03 | —

World Wide Growth Management
10a, Boulevard Royal, Luxembourg
Worldwide Gth Fd ..... $16.90 | | —
Inv Adv M & G Inv Mngt Ltd London

Yamaichi Capital Mngt (Guernsey) Ltd
22 Smith St, St Peter Port, Guernsey 0481 23765
Japan Meta Growth ..... 10.79 | -0.02 | —

Yamaichi Dynamic Mngt Co SA
10A Boulevard Royal, Luxembourg
Advanced Tech ..... $19.22 | | —
Dynamic Gwth Fd ..... $20.84 | | —

Zero Bond Fund Limited
PO Box 208, St Peter Port, Guernsey 0481 26268
Zero Bond Fund ..... $12.42 13.13 | | —

Money Market Trust Funds

	Gross	Net	Gr Equiv CAR	Int Cr
Charities Aid Fndtn Money Mngmt Co Ltd — Staple Hall, Stone Ct, Houndsditch, EC3 01-283 6461				
CAFCASH Call Fund	10.93	8.12	12.01	3-mth
CAFCASH 7-day Fund	10.67	7.92	11.77	3-mth
The Charities Deposit Fund — 2 Fore Street, London EC2Y 5AQ 01-588 1815				
Deposit	10.70		11.14	3-Mth
The Money Market Trust — 63 Qn Victoria St, EC4N 4ST. 01-236 0952				
Call Fund	11.13	8.28	12.05	6mth
7-day Fnd	10.85	8.15	11.79	6mth
Oppenheimer Money Management Ltd — 66 Cannon St, EC4N 6AE. 01-236 1425				
Call Fnd	10.93	8.17	11.75	6-Mth
7-day Fund	10.73	7.05	11.52	6-Mth
Dollar	5.75	3.59	5.07	6-Mth

Money Market Bank Accounts

	Gross	Net	Gr Equiv CAR	Int Cr
Adam & Co. plc — 22 Charlotte Sq, Edinburgh EH2 4DF 031-225 8484				
Full Service Cur Acc	10.25	7.50	10.64	Qtr
Aitken Hume — 30 City Road, EC1Y 2AY. 01-638 6070				
Tre Mark Acc	10.25	7.46	11.10	Qtr
MinInChq £1000-£9999	10.00	7.48	10.90	Mth
Mth Int. Chq. £5,000+	10.25	7.66	11.16	Mth
Allied Arab Bank Ltd — 97-101 Cannon St. London EC4N 5AD 01-626 2046				
HICA, HiCMA	11.25	8.41	12.34	Mth
Bank of Scotland — 38 Threadneedle St, EC2P 2EH. 01-628 8060				
Money Mkt Cheque Acc	10.25	7.66	11.18	Mth
Barclays Prime Account — PO Box 125, Northampton 0604 252891				
High Int. Cheque	10.00	7.50	10.46	Qtr
Benchmark Trust Ltd — 9 Henrietta Place, W1M 9AG 01-631 3313				
Cap Chq Deposit Acc	10.25	7.66	11.16	Mth
Brown Shipley & Co Ltd — Founders Court, Lothbury, London EC2R 7HE 01-606 9833				
Demand Acc	10.50	7.85	11.38	Qtr.
Charterhouse Bank Limited — 1 Paternoster Row, EC4M 7DH. 01-248 4000				
Sterling	10.375	7.76	11.32	Mth
U.S. Dollar	5.625	4.20	6.09	Mth
German Mark	3.50	2.62	3.79	Mth
Swiss Francs	2.50	1.87	2.66	Mth
Japanese Yen	3.50	2.62	3.73	Mth
Citibank Savings — St Martins Hse, Hammersmith Grove 01-581 1422				
Money Market Plus	Top rate	7.69	11.17	Mth
For other rates please 'phone our Rateline 01-581 0029				
Co-operative Bank Cheque & Save — 78-80 Cornhill EC3 01-626 6543				
£400-£2,500	7.38	5.50	7.92	Qtr
£2,500 +	10.38	7.79	11.24	Qtr
Dartington & Co Ltd — Dartington, Totnes, Devon TQ9 6JE 0803 862271				
Money Mkt Acc	10.625	7.94	11.52	Qtr
Henderson/Bank of Scotland — 38 Threadneedle St EC2P 2EH 01-638 8060				
Money Mkt. Cheque Acc.	10.25	7.66	11.19	Mth
Legal & General (Money Mngrs) Ltd — 355 Euston Road, NW1 3AG 01-388 3211				
High Int Dep Acc	10.57	7.90	11.33	6-mth
Lloyds Bank PLC — 71 Lombard St, London EC3P 3BS 01-626 1500				
HighIntCheque Account	10.00	7.75	11.16	Qtr
M & G/Kleinwort Benson — M & G Hse., Victoria Rd., Chelmsford 0245 266266				
H.I.C.A. (£2,500+)	10.12	7.56	11.03	Daily
Midland Bank plc — PO Box 2, Sheffield. 0742 528655				
High Int Chq Acc	9.97	7.45	10.79	Qtr
£10,000 +	10.30	7.70	11.16	Qtr
M.I.M. Britannia Ltd — 74-78 Finsbury Pavement, EC2A 1JD 01-588 2777				
Cater Allen	10.25	7.66	11.17	—
NatWest Special Reserve Account — 41 Lothbury, London, EC2P 2BP 01-256 9933				
£2,000 to £9,999	10.25	7.63	11.08	Qtr
£10,000 and above	10.375	7.75	11.24	Qtr
Oppenheimer Money Mgmnt Ltd — 66 Cannon St, EC4N 6AE 01-236 1425				
Money Mngr Acct.	10.75	8.04	—	3-Mth
Phillips & Drew Trust Ltd — 120 Moorgate, London EC2M 6XP 01-628 9771				
High Int Chq Acc	10.75	8.04	11.00	Qtr
Provincial Trust — 30 Ashley Rd, Altrincham, Cheshire 061-928 9011				
High Int Chq Acc	11.00	8.22	12.03	Mth
Royal Bank of Scotland plc — 42 St Andrew Sq, Edinburgh EH2 2YE. 031-557 0201				
Premium Account	10.37	7.75	11.24	Qtr
Save & Prosper/Robert Fleming — 28 Western Rd, Romford RM1 3LB. 0708 66966				
H.I.B.A.	9.90	7.40	10.32	Daily
Tyndall & Co — 29-33 Princess Victoria St. Bristol 0272 732241				
Demand Acc	10.67	7.98	11.48	Qtr
Money Acc	10.53	7.87	11.41	Qtr
J. Henry Schroder Wagg & Co Ltd — Enterprise House, Portsmouth 0705 827733				
Special Acc.	10.10	7.48	10.90	Mth
Over £10,000	10.25	7.66	11.17	Mth
Western Trust & Savings Limited — The Moneycentre, Plymouth PL1 1SE 0752 224141				
High Int Chq Acc	11.00	8.22	11.90	Qtr
Wimbledon & South West Finance Co Ltd — 114 Newgate St, London EC1A 7AE. 01-606 9485				
High Int Cheque Acc	11.25	8.41	12.23	Qtr

NOTES—Gross: rate to those exempt from composite rate of tax. Net: actual rate after deduction of CRT. Gr Equiv CAR: Gross equivalent to basic rate taxpayers—compounded annual rate. Int Cr: frequency interest credited.

NOTES

Prices are in pence unless otherwise indicated and those designated $ with no prefix refer to U.S. dollars. Yields % (shown in last column) allow for all buying expenses. Prices of certain older insurance linked plans subject to capital gains tax on sales. a Offered prices include all expenses. b Today's prices. c Yield based on offer price. d Estimated. g Today's opening price. h Distribution free of UK taxes. p Periodic premium insurance plans. s Single premium insurance. x Offered price includes all expenses except agent's commission. y Offered price includes all expenses if bought through managers. z Previous day's price. * Guernsey gross. ♦ Suspended. ♦ Yield before Jersey tax. † Ex-subdivision. ‡‡ Only available to charitable bodies. ♦ Yield column shows annualised rates of NAV increase. xd ex dividend.

TRADITIONAL OPTIONS

3-month call rates

Industrials	p		
Allied-Lyons	27	NEI	8
Amstrad	15	Nat West Bk	48
BAT	35	P & O Dfd	45
BOC Grp	28	Plessey	16
BSR	11	Polly Peck	15
BTR	26	Racal Elect	15
Babcock	35	RHM	24
Barclays	42	Rank Org Ord	45
Beecham	40	Reed Intnl	25
Blue Circle	55	STC	13
Boots	22	Sears	12
Bowaters	32	TI	40
Brit Aerospace	42	TSB	8
Brit. Telecom	17	Tesco	36
Burton Ord	26	Thorn EMI	42
Cadburys	17	Trust Houses	15
Charter Cons	24	Turner Newall	18
Comm Union	28	Unilever	140
Courtaulds	26	Vickers	36
FNFC	17	Wellcome	17
Gen Accident	75	**Property**	
Gen Electric	15	Brit Land	16
Glaxo	65	Land Securities	30
Grand Met	49	MEPC	32
GUS 'A'	65	Peachey	24
Guardian	75	**Oils**	
GKN	24	BOM	$3\frac{1}{2}$
Hanson Tst.	13	Brit Petroleum	50
Hawker Sidd	42	Burmah Oil	32
ICI	75	Charterhall	4
Jaguar	42	Premier	$3\frac{1}{2}$
Ladbroke	32	Shell	65
Legal & Gen	20	Tricentrol	8
Lex Service	32	Ultramar	17
Lloyds Bank	38	**Mines**	
Lucas Inds	46	Cons Gold	62
Marks & Spencer	18	Lonrho	22
Midland Bk	48	Rio T Zinc	62
Morgan Grenfell	26		

A selection of Options traded is given on the London Stock Exchange Report Page.

LONDON SHARE SERVICE

BRITISH FUNDS

Interest Due		Stock	Price £	Last xd	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)						
6Oct	6Apr	Exch. 10½pc 1987	99[illegible]	1.9	10.51	10.74
1 Nov	1 May	Funding 6½pc 85-87	97[illegible]	25.9	6.54	9.91
12Dec	12Jne	Treas. 10pc 1987	99[illegible]	18.12	10.01	10.17
14Jan	14Jly	Treas 3pc 1987	98[illegible]	8.12	3.05	7.33
3May	3Nov	Treas. 12pc 1987	101[illegible]	29.9	11.85	9.99
26 Jul	26 Jan	Treas 7¾pc 1985-88‡‡	98½	22.12	7.86	9.40
10Nov	10May	Exch 10½pc '88	100[illegible]	6.10	10.43	9.87
14Dec	14Jne	Treas 9¾pc Cv '88	99[illegible]	18.12	9.77	9.85
1Apr	1Jul	Transport 3pc '78-88	94[illegible]	25.11	3.18	7.34
25 Apr	25 Oct	Treas. 9½pc '88	99[illegible]	18.9	9.57	9.92
22 Aug	22 Feb	Treas 11½pc 1989	102[illegible]	16.1	11.18	9.87
18 Oct	18 Apr	Treas 9½pc Cnv 1989	99[illegible]	11.9	9.57	9.86
15Nov	15May	Treas 3pc 1989	91½	9.10	3.28	7.23
14Dec	14Jan	Treas 10½pc 1989	101¼	18.12	10.37	9.86
1Feb	1Aug	Exch.10pc 1989	100¼	29.12	9.98	9.88
29 Mar	29 Sep	Exch 11pc 1989	102[illegible]	26.8	10.74	9.88
15 Apr	15 Oct	Treas 5pc 1986-89	92[illegible]	8.9	5.43	8.39
15 May	15 Nov	Exch 10¼pcCv '89	102½	9.10	9.98	9.07
15 Jul	15 Jan	Treas 13pc 1990‡‡	108	9.12	12.04	9.87
12 Aug	12 Feb	Exch 11pc 1990‡‡	103[illegible]	6.1	10.67	9.78
22 Sep	22 Mar	Exch. 12½pc 1990	107[illegible]	18.8	11.68	9.79
8 Nov	8 May	Treas. 3pc 1990	87¾	2.10	3.41	7.31
15 Dec	15 Jun	Treas 8¼pc 1987-90‡‡	96¾	18.12	8.53	9.43
25 Apr	25 Oct	Treas. 10pcCv 1990	100[illegible]	18.9	9.95	9.81
22 May	22 Nov	Exch 2½pc 1990	85	16.10	2.94	7.15
10 July	10 Jan	Treas 11¾pc 1991	106[illegible]	4.12	11.07	9.80
5Oct	5Apr	Funding 5¾pc '87-91‡‡	89¾	1.9	6.40	8.73
13 Nov	13 May	Treas. 3pc 1991	84	—	3.57	7.51
12Jan	12July	Treas 10pc Cv '91	102[illegible]	8.12	9.74	9.24
25Apr	25Oct	Exch. 11pc 1991	104[illegible]	18.9	10.54	9.80
22Jly	22Jan	Treas 12¾pc 1992‡‡	111[illegible]	16.12	11.44	9.74
Five to Fifteen Years						
21Aug	21Feb	Treas 10pc 1992	101[illegible]	15.1	9.89	9.70

[illegible]

Over Fifteen Years

[illegible]

Undated

[illegible]

Index-Linked

[illegible]

INT. BANK AND O'SEAS GOVT STERLING ISSUES

[illegible]

CORPORATION LOANS

[illegible]

COMMONWEALTH & AFRICAN LOANS

[illegible]

LOANS

Building Societies

[illegible]

Public Board and Ind.

[illegible]

Financial

[illegible]

FOREIGN BONDS & RAILS

[illegible]

AMERICANS

[illegible]

AMERICANS—Cont.

[illegible]

CANADIANS

[illegible]

BANKS, HP & LEASING

[illegible]

Hire Purchase, Leasing, etc.

[illegible]

BEERS, WINES & SPIRITS

[illegible]

BUILDING, TIMBER, ROADS

[illegible]

BUILDING, TIMBER, ROADS—Cont.

[illegible]

CHEMICALS, PLASTICS

[illegible]

DRAPERY AND STORES

[illegible]

DRAPERY & STORES—Cont.

[illegible]

ELECTRICALS

[illegible]

ENGINEERING

[illegible]

ENGINEERING—Continued

[illegible]

FOOD, GROCERIES, ETC

[illegible]

HOTELS AND CATERERS

[illegible]

INDUSTRIALS (Miscel.)

[illegible]

INDUSTRIALS—Continued

[illegible]

INDUSTRIALS—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
Jan.	July	Morgan Crucible	330	10.11	18.5	1.5	3.6	21.9
—		Morris (W) F.A. 20p	20½	—	—	—	—	—
July	Oct	Mysan Grp 10p	190	29.9	12.63	2.6	1.9	24.5
Nov	June	NMW Computers	290	13.10	6.0	3.0	2.9	16.7
Mar.	Sept.	Nash Inds	183	26.1	1.5	2.6	1.2	46.4
—		Neil & Spencer 10p	16½	3'82	—	—	—	—
Jan	July	Newman Inds 10p	47	15.9	0.8	1.5	2.4	(35.9)
Apr	Sept	Noble & Lund 10p	94	29.9	0.7	4.3	1.0	38.9
—		Nobo Group 10p	155	—	R4.75	2.8	4.3	11.8
April	Dec	Nolton	49	24.11	1.2	2.9	3.4	14.0
Oct.	June	Norank Systems 5p	164	15.9	m1.5	—	1.3	21.0
Jan.	Aug.	Norcros	290	22.12	9.3	2.3	4.5	13.3
Oct.	April	Nu-Swift 5p	264	27.10	3.5	2.1	1.9	35.5
May	Nov	OCE 9pc Cnv 1987-92	£262½	27.10	Q9%	—	3.5	—
Dec	Aug	Oakwood Grp.	136	26.1	4.0	0.6	4.1	52.3
Dec	July	Office & Elect	205	27.10	8.5	2.9	5.8	8.4
—		Omnitech 1p	37	—	—	—	—	—
—		Optometrics $0.01	23	—	—	—	—	—
May	Nov	Oriflame £1	840	29.9	28.5	2.1	4.8	16.3
Jan.	June	Overstone 12½c	8½	12.5	03.25c	1.9	11.8	4.5
Oct	June	PCT Grp 10p	148	15.9	d9.2	—	4.7	—
—		PLM 'B' Sk 25	£37¼	5.85	Q24%	♦	3.7	♦
June		Pacer Systems $0.01	162	25.8	Q3.84c	4.3	1.6	14.2
June		Pacific Dunlop $0.5	223	21.3	Q11.36c	2.1	2.2	22.4
Apr.	Dec.	Pacific Sales 10p	63	15.9	3.0	1.4	6.7	15.0
Apr	Nov	Parker Knoll 'A'	483	29.9	12.0	3.2	3.5	12.7
—		Parkfield Group 2p	260	26.1	3.6	4.2	2.0	16.6
—		Pavion Intl	28	—	—	—	—	7.4
Aug.	Feb.	Do 11pc CnLn '94-02	£98½	11.8	Q11%	—	12.9	—
June	Nov	Pearson	553	15.9	10.0	2.8	2.5	18.0
—		Peak Holdings 3p	61	—	—	—	—	—
Mar	Oct	Peerless	161	26.1	6.3	2.0	5.5	(10.6)
July	Oct	Pentland 10p	618	15.9	0.75	22.4	0.2	35.0
May	Dec.	Photo-Me	£12¼	13.10	15.75	11.7	0.7	16.0
Feb.	Aug.	Pilkington Br. £1	743	22.12	F22.0	2.3	4.2	(11.8)
		Do. Warrants	323	—	—	—	—	—
June	Dec.	Pitney-Bowes Cnv. Ln.	£329½	8.12	Q5½%	—	1.1	—
Sept.	April	Plastic Const. 10p	63	11.8	2.8	♦	6.5	♦
—		Platignum 5p	11½	5'82	8—	—	—	19.8
Sept	Feb	Plaxton Int.	186	12.1	3.08	4.1	2.3	11.2
—		Plumb Hldgs. 5p	122	—	Rd3.0	2.3	3.5	17.8
—		Polymark 10p	36	7'81	8—	—	—	—
—		Do. CnPfA £1	143	6'83	10%	—	9.8	—

LEISURE—Continued

Dividends Paid		Stock	Price	Last xd	Div Net	C'vr
January		Leisure Inv 10p	84	8.12	0.36	7.4
Jan	July	Leisuretime Int 10p	91	11.8	12.3	0.9
Jan.	July	Lowndes	102	8.12	u2.63	3.4
—		Marina Dev. 50p	97	—	R3.13	3.0
—		Mecca Leisure 10p	192	—	L4.1	1.8
Mar	Oct	Media Tech Int 20p	122	15.9	2.8	4.5
Apr.	Dec.	Medminster 10p	175	24.11	6.25	1.9
February		Midsummer Leis 50p	220	22.12	4.0	3.9
Oct	May	Miss World 10p	188	1.9	5.3	3.3
May	Oct	Nationwide Leisure	76	12.5	12.5	2.5
—		Nimslo Int 20c	10	—	—	—
—		Owncorp Invs NZ$0.5	55	—	Q0.5c	8.0
—		Orient Ex Hds $0.125	255	1'84	—	—
	July	Owners Abroad 3p	52½	28.4	1.5	2.3
—		Photax (Lon.)	83	4'82	—	—
Apr	Sept	P'dilly Radio NV 5p	58	11.8	2.0	1.4
—		Pineapple 10p	87	12'84	—	—
Sept.	Apr.	Pleasurama 5p	379	11.8	17.5	3.6
Sept.	Mar.	Do. 7pcCvCmRedPf	174	11.8	7%	—
Apr	Nov	Prestwich	128	27.10	0.85	6.9
—		Radio City 'A' NV	60	12'84	—	—
Jan	July	Radio Clyde N/V	68	22.12	3.5	1.6
May	Nov	Really Useful Grp 5p	403	27.10	11.25	2.2
—		Riley Leisure 10p	62½	10'84	—	—
Apr.	Nov.	Saga Hols. 20p	167	28.7	4.6	2.6
Apr	Nov	Samuelson Grp 20p	198	30.6	2.4	6.5
Jan	July	Sangers Photo 10p	100	10.11	12.2	1.5
July	Dec	Scapro 20p	107	27.10	n4.0	3.5
Dec	May	Scot. TV 10p	443	27.10	10.5	3.3
—		SelecTV 10p	17	—	—	—
—		Spectrum 5p	22	—	—	—
Feb.	July	Stanley Leisure	279	12.1	u3.25	2.8
May	Nov	TSW 5p	62	13.10	2.05	2.6
Dec.	May	TV-am 10p	296	27.10	R5.75	2.6
Mar	Aug	TVS N/Vtg 10p	320xd	14.7	10.0	♦
May	Oct	Television Svcs 50p	83	29.9	12.0	2.9
Jan.	July	Thames TV	383	24.11	u9.5	1.9
Apr	Nov	Tottenham Hotspur	76	26.9	—	—
Feb	Aug	Trilion 10p	103	26.1	1.1	3.5
Dec	June	Tyne Tees TV 'A' £1	366	15.9	10.5	2.0
Jan	July	Ulster TV	117	13.10	3.13	3.6
Jan.	July	Viewplan 5p	77	8.12	1.26	1.4
—		Virgin Group 10p	140½	—	u2.2	2.9

PROPERTY—Continued

INVESTMENT TRUSTS—Cont.

FINANCE, LAND—Cont.

MINES—Continued

INSURANCES

MOTORS, AIRCRAFT TRADES

NEWSPAPERS, PUBLISHERS

PAPER, PRINTING, ADVERTISING

SHIPPING

SHOES AND LEATHER

SOUTH AFRICANS

TEXTILES

TOBACCOS

TRUSTS, FINANCE, LAND

OIL AND GAS

OVERSEAS TRADERS

PLANTATIONS

MINES

THIRD MARKET

Dividends Paid	Stock	Price	Last xd	Div Net	C'vr	Y'ld Gr's	P/E
—	Abelscot Group 10p	220	—	3.2	—	2.0	—
—	Aberdeen Am Pet 10p	33	—	—	—	—	—
	Allied Ins. Brokers	110	—	13.5	2.5	4.2	13.7
—	Catalyst Comm. 5p	45	—	—	—	—	—
—	Corton Beach 10p	65	—	—	—	—	32.5
—	Eglinton Oil Ir 5p	93	—	—	—	—	—
—	Do. Warrants	35	—	—	—	—	—
—	Publishing Hldgs. 5p	22	—	—	—	—	12.7
—	Theme Holdings	47	—	—	—	—	—
—	Unit Group	119	—	R4.6	2.5	5.4	(8.5)

NOTES

Unless otherwise indicated, prices and net dividends are in pence and denominations are 25p. Estimated price/earnings ratios and covers are based on latest annual reports and accounts and, where possible, are updated on half-yearly figures. P/Es are calculated on "net" distribution basis, earnings per share being computed on profit after taxation and unrelieved ACT where applicable; bracketed figures indicate 10 per cent or more difference if calculated on "nil" distribution. Covers are based on "maximum" distribution; this compares gross dividend costs to profit after taxation, excluding exceptional profits/losses but including estimated extent of offsettable ACT. Yields are based on middle prices, are gross, adjusted to ACT of 29 per cent and allow for value of declared distribution and rights.

- ● "Tap Stock".
- * Highs and Lows marked thus have been adjusted to allow for rights issues for cash.
- † Interim since increased or resumed.
- ‡ Interim since reduced, passed or deferred.
- ‡‡ Tax-free to non-residents on application.
- ♦ Figures or report awaited.
- ♥ Not officially UK listed; dealings permitted under Rule 535(4)(a).
- ♦ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Dealt in under Rule 535(3).
- ¢ Price at time of suspension.
- ¶ Indicated dividend after pending scrip and/or rights issue: cover relates to previous dividend or forecast.
- ♦ Merger bid or reorganisation in progress.
- ♠ Not comparable.
- ♠ Same interim: reduced final and/or reduced earnings indicated.
- § Forecast dividend; cover on earnings updated by latest interim statement.
- § Cover allows for conversion of shares not now ranking for dividends or ranking only for restricted dividend.
- ☆ Cover does not allow for shares which may also rank for dividend at a future date. No P/E ratio usually provided.
- ‖ No par value.

B.Fr. Belgian Francs. Fr. French Francs. §§ Yield based on assumption Treasury Bill Rate stays unchanged until maturity of stock. a Annualised dividend. b Figures based on prospectus or other offer estimate. c Cents. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. e Redemption yield. f Flat yield. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. j Payment from capital sources. k Kenya. m Interim higher than previous total. n Rights issue pending. q Earnings based on preliminary figures. s Dividend and yield exclude a special payment. t Indicated dividend: cover relates to previous dividend, P/E ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. v Subject to local tax. x Dividend cover in excess of 100 times. y Dividend and yield based on merger terms. z Dividend and yield include a special payment. Cover does not apply to special payment. A Net dividend and yield. B Preference dividend passed or deferred. C Canadian. E Minimum tender price. F Dividend and yield based on prospectus or other official estimates for 1986-87. G Assumed dividend and yield after pending scrip and/or rights issue. H Dividend and yield based on prospectus or other official estimates for 1986. K Dividend and yield based on prospectus or other official estimates for 1987-88. L Estimated annualised dividend, cover and p/e based on latest annual earnings. M Dividend and yield based on prospectus or other official estimates for 1985-86. N Dividend and yield based on prospectus or other official estimates for 1985. P Figures based on prospectus or other official estimates for 1987. Q Gross. R Forecast annualised dividend, cover and p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend total to date. Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xd ex capital distribution.

REGIONAL & IRISH STOCKS

The following is a selection of Regional and Irish stocks, the latter being quoted in Irish currency.

Albany Inv 20p	72	......	Fin. 13% 97/02	£100¼	......
Craig & Rose £1	£14¾	......	Arnotts	360	−5
Finlay Pkg. 5p	59	......	CPI Hldgs	58	......
Holt (Jos) 25p	855	......	Carrol Inds.	138	......
IoM Stm. £1	78	......	Dublin Gas	10	......
			Hall (R. & H.)	105	......
IRISH			Helton Hldgs.	53	+1
Fund 11¼% 1988	£97⅝	......	Irish Ropes	175	+3
Nat. 9¾% 84/89	£93½	......	Unidare	375	......

CONSTRUCTION

Hotel and villas in Turkey

TAYLOR WOODROW INTERNATIONAL has won its first contract in Turkey to provide construction management services on an £11m project to build a coastal hotel and villa complex. The company is working with the contract arm of Gama Endustri Tesisleri Imalat ve Montaj A.S., of Ankara, Turkish contractor and developer of the complex at Antalaya, on the country's south coast. Work has started and is due for completion by the end of 1988.

The project will include the 250-room Ramada Antalya Hotel, a six-storey building with a reinforced concrete frame on concrete foundations. A mixture of two- and three-bedroom villas in traditional Mediterranean style will be built in the hotel grounds. The complex will have also extensive sports facilities, including a swimming pool, tennis courts and a marina.

*

A near-£8m contract for a City office development of 73,000 sq ft (gross) has been won by FAIRCLOUGH BUILDING'S Surbiton-based southern division. The 70-week project, at St Andrew Street, EC4, entails construction of a 10-storey office block in a joint development by Norwich Union Fire Insurance Society and Rockfort Land. The structure will consist of reinforced in-situ concrete basement and group floor, with the eight upper floors comprising a steel frame and "Holorib" permanent shutter floors and roof, with lightweight concrete topping. The external design varies on each facade to complement surrounding buildings. Fairclough is also installing suspended ceilings and raised access flooring in all office areas, together with full air conditioning, heating and cooling services throughout.

*

QUARMBY CONSTRUCTION CO has obtained two contracts in the Wakefield area, worth more than £3.5m. The largest, worth £2.1m, is for J. Sainsbury and is at Ings Road, Wakefield. The other is a factory for Sirdar at its Alverthorpe premises, Wakefield.

Wimpey to build prison in Woolwich

BY JOAN GRAY, CONSTRUCTION CORRESPONDENT

GEORGE WIMPEY subsidiary Wimpey Construction Management has been awarded a £60m contract by the Property Services Agency to build the new London urban prison at Woolwich.

This will be the first prison to be built in the capital since Pentonville in 1855.

It will house 850 inmates and is part of a £632m programme to build 20 prisons in England and Wales giving a total of 10,600 extra prison places by 1996.

Wimpey was awarded the contract to build the Woolwich prison—a brick and reinforced concrete structure to be built on part of the disused Woolwich Arsenal site—after extensive negotiations with the PSA.

The Agency had decided to opt for a management contract for a project of this size, security and complexity, and asked the UK's principal management contractors to bid.

Wimpey was chosen after a series of interviews with the PSA, with the final contract being awarded not just on price but also on the company's management capability and the form of management contract it could provide.

The prison is scheduled to be completed in June 1991, with the contract expected to take 42 months.

When finished, it will form part of a top-security court and prison complex which could be used to replace the Old Bailey for terrorist trials.

The secure court is still being designed. The contract to build it is expected to be worth about £16m and will be let separately from the prison contract.

Woolwich is the first of the new generation of open gallery prisons to be built in the UK.

It features open atriums and shorter corridors than the previous generation of 1970s-designed "hotel corridor" prisons to give easier supervision and more natural light.

It also has separate toilet cubicles for each cell to avoid slopping out, and is designed to provide complete separation between prisoners on remand and those who have already been sentenced.

A total of ten of the PSA's new prison building contracts have already ween awarded, with another ten still to be let.

The PSA's prison building programme is being carried out in parallel with a £30m a year Home Office programme to refurbish old prisons to add another 6,600 prison places.

£12m leisure and retail complex in Stevenage

The building and civil engineering division of TRAFALGAR HOUSE has secured over £27m of new contracts.

Largest is for Willett with two awards totalling £17.1m. The first, worth £12.5m, is for construction of a leisure and retail complex in Stevenage, for Trafalgar House Developments. The second, valued at £4.6m, is for a warehouse and distribution centre in Mandela Way, SW1, for British Telecom.

Trollope & Colls Management has won an £8.5m contract from the London Borough of Brent for construction of a Court House complex at Willesden, NW10. Specialist refurbishment contractor—Trollope & Colls City—has been awarded two contracts totalling £0.9m: the first, for Trilion, is in Canary Wharf, E14, and involves work for a new OB maintenance area for the company; the second is for refurbishment at St Swithins Lane, EC4.

Two civil engineering contracts have been awarded to Cementation Construction, each worth £0.5m. In Sunderland, reclamation of derelict land at North Sands Shipyard, St Peters Way, for the Borough of Sunderland. For the Welsh Water Authority, south eastern division, the company will be building a reinforced concrete service reservoir, and associated works at Pontllanfraith, Mid Glamorgan.

Company Notices

Public Notices

Clubs

Contracts & Tenders

DIARY DATES

Finance

The following is a record of the principal business and financial engagements during the week. The board meetings are mainly for the purpose of considering dividends and official indications are not always available whether dividends concerned are interims or finals. The sub-divisions shown below are based mainly on last year's timetable.

TODAY

COMPANY MEETINGS—
Denmans Electrical, 69, Old Market Street, Bristol, 12.00
Dewhurst, Melbourne Works, Inverness Rd, Hounslow, Middx., 4.00

BOARD MEETINGS—
Finals:
Continental and Industrial Trust
Edinburgh Financial Trust
Electronic Machine
Jebsens Drilling
Renown Incorporated
Vickers
Interims:
DPCE
FII Group
Global Group
News Corporation
News International

DIVIDEND & INTEREST PAYMENTS—
Bank Nova Scotia Fltg. Rate Sub. Dbs. 2085 $326.15
Bank Tokyo (Curacao) NV Gtd. Fltg. Rate Nts. 1990 £148.08
British Telecommunications 3.35p
Burtonwood Brew. 2.5p
Cannon St. Invs. 1.5p
Combined Intnl. Cpn. 56cts
Commerzbank Overseas Fin. NV Fltg. Rate Nts. 1989 $159.93
Cons. Freightways 20.5cts.
Dobson Park Inds. 3.31p
First Chicago Overseas Finance Gtd. Fltg. Rate Subs. Nts. 1994 $164.83
Lloyds Bank Prim. Cap. Und. Fltg. Rate Nts. (Series 2) $164.83
New Brunswick (Prov. of) Fltg. Rate Nts. May 1994 C$23.34
Security Pacific Cpn. Fltg. Rate Sub. Capt. Nts. 1997 $161.35
Treasury 2½pc I-L 2011 £1.63

TOMORROW

COMPANY MEETINGS—
Hebit Precision Eng., Roxby Place, S.W., 11.00
LPA Inds., Tudor Works, Debden Road, Saffron Walden, Essex, 11.00
London and Clydeside, Royal Scottish Automobile Clubs, 11, Blythswood Sq., Glasgow, 12.00
Wheway, Howard Hotel, Temple Place, Strand, W.C., 11.45

BOARD MEETINGS—
Finals:
Ballers
Capital and Counties
Continental and Industrial Trust
Foreign and Colonial Investment Trust
Ladies Pride
Lancashire and London Investment Trust
McAlpine (Alfred)
Metal Bulletin
Murray International Trust
National Westminster Bank
Prudential
Trencherwood
US Debenture Corporation
Interims:
Lee International
Murray Income Trust
Stonehill

DIVIDEND & INTEREST PAYMENTS—
Borthwick (Thomas) 0.75p
British Ever Ready 6pcLn. 1992-97 3pc
Burton Grp. 8pcLn. 1996-2001 4pc
Equipu 2p
European Ferries 3.65p
Exchequer 2½pc 1987 1¼pc
Goldsmiths 5.5p
London and Clydeside 4p
Raeburn Inv. Tst. 8.5p
Royal Bank Canada 50cts
Whitworth Elec. 1.775p

WEDNESDAY FEBRUARY 25

COMPANY MEETINGS—
Acatos and Hutcheson, Tallow Chandlers Hall, 4, Dowgate Hill, E.C., 12.00
Bankers Inv. Tst., Mermaid Hse., 2 Puddle Dock, E.C., 12.00
First Nat. Fin., Barber-Surgeons' Hall, Monkwell Sq., E.C., 12.05
First Nat. Securities, Barber-Surgeons' Hall, Monkwell Sq., EC, 12.00
M and G Group, Painters Hall, Little Trinity Lane, E.C., 12.00

BOARD MEETINGS—
Finals:
Cowie (T.)
First Scottish American Trust
Miss World
Pittard Group
Updown Investments
Wates City of London Properties
Yorkshire Chemicals
Interims:
Elsco
Electron House
Finlay Moore

DIVIDEND & INTEREST PAYMENTS—
Aluminium Co. of America 30cts
Bespak 1.75p
Eaton Con. 40cts
Exchequer 12¼pc 1992 6¼pc
LPA Inds. 1.6p
Merrill Lynch 20cts
Ranks Hovis McDougall 8¼pcLn. 1990-1994 4¼pc. 5¾pcLn. 1991-96 4½pc
Redfearn National Glass 4.5p
Sommerville (Wm.) 1p

THURSDAY FEBRUARY 26

COMPANY MEETINGS—
Brassrock, Hyde Park Hotel, 66, Knightsbridge, S.W., 12.00
Burndene, 22, Hanover St., Edinburgh, 10.30
Macarthy's, Apothecaries' Hall, Black Friars Lane, E.C., 12.30
Watson and Philip, Angus Thistle Hotel, 101, Marketgait, Dundee, 3.30

BOARD MEETINGS—
Finals:
Barclays
Cadbury Schweppes
Imperial Chemical Industries
GKN (UK)
Philips Lamps
Royal Insurance
S.K.F.
Interims:
Bracken Mines
F and H Group
Goodman Bros.
Isotron
Kinross
Leslie Gold Mines
Unisel Gold Mines
Winkelhaak Mines

DIVIDEND & INTEREST PAYMENTS—
Bankers Inv. Tst. 1.06p
Batleys 0.5p
Berry Tst. 4¼pc Cnv. Ln. 1993 2⅛pc
Clarke Hooper 1p
First Nat. Fin. Cpn. 4.14p
First Sec. Grp. 1.5p
Halifax Bldg. Soc. Fltg. Rate Ln. Nts. 1996 (Ser. A) £48.11
Lloyds Eurofinance NV Gtd. Fltg. Rate Nts. 1996 £144.93
M and G Group 3.25p
Mid-Kent Water 9pcPf. Red. Pf. 1987 4.5p. 9½pc Red. Pf. 1987 4.75p
Morgan Grenfell Und. Prim. Cap. FRN $332.22
Stead and Simpson 1.2p. Do. A NV 1.2p
Tesco 2.55p
Treasury 10pc 2001 5pc
Valin Pollen Intnl. 1p
Korea Exchange Bk. Fltg. Rate Nts. 1994 £145.69
Leumi Intl. Invs. NV Gtd. Fltg. Rate Nts. A 1987 $31.65
Lloyds Bk. Prim. Cap. Und. Fltg. Rate Nts. (Series 3) $303.73
Locas Inds. 6¼pc1stPf. 2.275p
McCarthy and Stone 3.31p
Magnet and Southerns 2.2p
Morceau 2.5p
Nash Inds. 1p
Nat. Australia Bk. Fltg. Rate/High Initial Spread Nts. 1993 $482.36
Nat. Westminster Bk. 7pcPf. 2.45p. Do. Prim. Cap. FRNs (Series C) $157.99
Owenwood 4p
Ogilvy 21cts
Panama (Rep. of) Fltg. Rate Ser. Nts. 1990 $195.25
Platon Intnl. 1.02p
Scottish Mort. and Tst. 3pcPf. 1.75p
Spain (Kingdom of) Fltg. Rate Nts. 1997 $184.93
Std. Bk. Imp. and Export Fin. Gtd. Fltg. Rate Nts. 1992 £145/69
Std. Securities 3.1p
TR Australia Inv. Tst. 7pcDb. 1997-2002 3½pc
TR City of London Tst. Pfd. 7p. Do. Dfd. 0.55p. 6pc2ndPf. 2.1p. 6pc-3rdPf. 2.1p
Treasury 9¼pc 2002 4⅝pc
Watson and Philip 4.8p
Wells Fargo Fltg. Rate Sub. Nts. 1992 $49.39

FRIDAY FEBRUARY 27

COMPANY MEETINGS—
Body Shop International, Beach Hotel, Littlehampton, West Sussex, 4.00
City Site Ests., Albany Hotel, Glasgow, 11.30
Grainger Tst., Chaucer Bldgs., 87, Grainger St., Newcastle, 12.15
Manchester Ship Canal, Free Trade Hall, Peter St., Manchester, 2.30
Nash Inds., Belfry Hotel, Wishaw, North Warwickshire, 12.30
Oakwood, Clough Smith Hse., Stephenson Way, Crawley, West Sussex, 12.00
Richards, Broadford Works, Maberley St., Aberdeen, 12.00
Splash Products, 9, Regal Way, Faringdon, Oxfordshire, 11.00

BOARD MEETINGS—
Finals:
Baillie Gifford Shin Nippon
Lloyds Bank
River Plate and General Investments
Sale Tilney
Sedgwick
Interims:
Temple Bar Galbraith and Hardbanger
Arbuthnot Government Securities Trust

DIVIDEND & INTEREST PAYMENTS—
Allied Colloids 1p
Allied-Lyons 3.8p
BTS 1.3p
CAP 0.6p
Cater Allen US Dollar Inc. Fd. Ptg. Red. Pf. 17cts
Chase Manhattan Cpn. Fltg. Rate Sub. Nts. 1997 $161.15
Chemical New York Cpn. Fltg. Rate Senior Nts. 1999 $49.7
Circaprint 1.278p
Creditanstalt Bankverein Sub. Fltg. Rate Nts. 1996 $153.33
Daily Mail and Gen. Tst. 44p. Do. A N-V 44p
Dee Con. 3p
Denhams Electrical 2.5p
Eldorado Nuclear Fltg. Rate Nts. Feb. 1989 $149.32
Electronic Rentals 1.1667p
Elliott (B.) 1p
Empresas La Moderna SA de CV Fltg. Rate Nts. 1992 $404.44
Eucalyptus Pulp Mills 2.13p
Excalibur Jewellery 11.5pcPf. 5.75p
French (Thomas) 1.725p
Freshbake Foods 0.7p
Grainger Tst. 6.2p
Gt. Western Fin. Cpn. 30cts
Harrison Inds. 1.88p
Hill Samuel Fin. BV Fltg. Rate Nts. 1996 $313.06
Intnl. Income Prop. 28cts
Invicta Gilt Edged and Fls. Future Ptg. Red. Pf. £40

DIVIDEND & INTEREST PAYMENTS—
Invicta Gilt Growth Fund Ptg. Red. Pf. 25p
Invicta Gilt Income Fund Ptg. Red. Pf. 30p
Italy (Rep. of) Fltg. Rate Nts. 2005 $49.1
JWT 28cts
Kakuzi KS 0.5
Kenyon Secs. 4p

SATURDAY FEBRUARY 28

DIVIDEND & INTEREST PAYMENTS—
Allnatt London Props. 10½pc1stDb. 1994-1999 5¼pc
Atkins Bros. (Hosiery) 5½pcPf. 1.925p
Automated Sec. 5pcPf. 2.5p. Do. 8pcPf. 4p
Blue Circle Inds. 6pcDb. 1988-93 3pc. 7pcDb. 1988-93 3½pc
Burmah Oil 8½pcLn. 1991-96 4¼pc
Canadian and Foreign Secs. 1.25cts
Central London (New) Gtd. 2pc
Cigna Overseas Fin. NV 13pcLn. 2008 6½pc
Combined English Stores 8½pcLn. 1986-1991 4¼pc
Danae Inv. Tst. 2.3075p
Derby Tst. 4.8609p
Dowty 7pcLn. 1986-91 3½pc
Ecclesiastical 13pcDb. 2018 6½pc
Electricite de France 12½pcLn. 2008 (Reg.) 6¼pc
Foster (John) 9pcLn. 1988-92 4½pc
Guinness Peat 1.475p
Hambro Currency Distributor Fund Ptg. Red. Pf. (Sterling) 45.2p. Do. (US Dollar) $0.396. Do. (Swiss Franc) SF 0.3.. Do. (Deutschemark) DM 0.698. Do. (Yen) Y 0.594
Hanover Druce 6.75pcPf. 1.5349p
Investors in Industry 9⅜pcLn. 1992-97 4⅞pc
Kleinwort, Benson Gilt Fd. Ptg. Pf. 30.3p
Leda Inv. Tst. 4.7575p
London and St. Lawrence Inv. 5pcPf. 1.75p
London and Strathclyde Tst. 5pcPf. 1.75p
M and G Gold and General Fd. 0.35p
New Court Tst. 7¼pcDb. 1986-91 3⅝pc
Next 7pc1stDb. 1986-91 3½pc. Do. 7¼pc1stDb. 1987-92 3⅝pc
Parkfield 1p
Parkland Textile 4.2pcPf. 2.1p
Pavion Intnl. 11pcLn. 1994-02 5½pc
Pillsbury 25cts
RPH 8pcDb. 1992-96 4pc. 9pcLn. 1999-2004 4½pc. 4½pcLn. 2004-09 2¼pc. 7¾pcLn. 1987-92 3⅞pc
STC Intnl. Computers 6pcDb. 1983-88 3pc
Security Services 4½pcPf. 1.575p
Symonds Eng. 0.3p
Trans-Natal Coal Cpn. Sub. Comp. Dbs. (Irrd.) 17.0888p
Travis and Arnold 8pcLn. 1987-93 4pc
Trilion 0.7p
Trinlevest 7pcDb. 1987-93 3½pc
Wornsbie, Walker and Atkinson 9pcLn. 1986-91 4½pc

SUNDAY MARCH 1

DIVIDEND AND INTEREST PAYMENTS—
Aberdeen (City of) 10.8pc 2011 5.4pc
American Gen. Cpn. 31.25cts
Brantcliffe Invs. 7pcPf. 2.45p
Buffalo and Lake Huron Railway 5½pc1st Bds. 2¾pc. Do. 5½pc2ndBds. 2¾pc
Corpn. of London 3½pcDb. 1983-93 1¾pc
Daniell and Sons Brews. 4pcDb C 2pc
East Surrey Water 2.8pcPre-Pf. 1.4p. 4pc Db. Irrd. 2pc. 7pcDb. 1990-92 3½pc. 7¼pcDb. 1991-93 3⅝pc. 10pcDb. 1997-1999 5pc
Electric and General Inv. 9pcDb. 1989-1994 4½pc
Fisher (Albert) 7pcPf. 3.5p
IU Intnl. 15cts
Ireland (Rep. of) 9¼pc 1991-96 4⅞pc
London County 2½pc 1920 1¼pc. 3pc 1920 1½pc
Low and Bonar 6pc1stPf. 2.1p. 6pc2nd Pf. 2.1p. 5½pc3rdPf. 1.925p
M and G General Tst. Fund 9.562p
Met. Water 3pcB 1934-2003 1½pc
Oldham Met. Borough Council 11.25pc 2010 11.125pc
Reed Decorative Prods. 4pc1stDb. 2pc
Sainsbury (J.) 8pcLn. 4pc
Salford Cpn. 5½pc 1986-88 2¾pc
Schneiders (S.) and Son 6pcPf. (2000) 2.1p
Scottish Agric. Sec. Cpn. 5½pcDb. 1986-1988 2¾pc
Selliers 7¼pcDb. 1984-89 3⅝pc
Texas Eastern Cpn. 28cts
Transcanada Pipelines 16½pc1stDb. 2007 8¼pc
Treasury 14½pcLn. 1994 7¼pc
Treasury 8½pcLn. 1987 4¼pc
Utd. Mexican States 16½pcLn. 2008 (Reg.) 8¼pc
Whitbread 6½pcDb. 1984-87 3¼pc
Witan Inv. 8pcDb. 1986-89 4pc

Parliament

TODAY

Commons: Debate on the Report of the Sizewell B public inquiry.

Lords: Advocates Widows and Orphans Fund Order Confirmation Bill (Third Reading). Chevening Estates Bill (Third Reading). Local Government (Finance) Bill, Committee. Debtors (Scotland) Bill (Third Reading).

Select Committee: Public Accounts. Subject: Adult Training strategy. Witness: B. H. Nicholson, Manpower Services Commission (Room 16, 4.45 pm).

TOMORROW

Commons: Ministry of Defence Police Bill (remaining stages). Motion on EC documents relating to free food for the needy.

Lords: Local Government (Finance) Bill, Committee. Coal Industry Bill, Committee. Unstarred question on polarisation in the Securities and Investments Board.

Select Committees: Agriculture. Subject: The December Agreement. Witness: John Gummer MP, Minister of State for Agriculture (Room 16, 11 am). Education, Science and the Arts. Subject: Special educational needs. Witnesses: Professor K. Wedell; Mr J. Wetton; Mrs J. Evans (Room 15, 11 am). Norfolk and Suffolk Broads Bill (Room 5, 11 am). Transport. Subject: decline of the UK registered merchant fleet. Witness: Dr Holder, Liverpool Polytechnic; British Shippers Council (Room 17, 4.15 pm).

WEDNESDAY

Commons: Opposition debates on priorities for the elderly and health care and services for the elderly. Motion on the annual report from the European Court of Auditors for 1985.

Lords: Debate on the dangers of unilateral disarmament and the escalation of thermo-nuclear weaponry. Debate on deterioration in prison conditions. Employment Guarantee Bill (second reading). Unstarred question on the take-up of benefit.

Select Committees: Norfolk and Suffolk Broads Bill (Room 5, 10.30 am). Welsh Affairs. Subject: Condition and repair of privately owned housing. Witness: Welsh Office (Room 18, 10.30 am). Trade and Industry. Subject: Motor components industry. Witness: A. B. Electronics; Lucas (Room 15, 10.45 am). Defence. Subject: Implications for the UK of strategic defence. Witnesses: MoD officials (Room 16, 10.50 am). Employment. Subject: Skills shortages. Witness: CBI (Room 8, 4.15 pm). Public Accounts. Subject: Disposal of new town assets. Witnesses: Mr T. M. Heiser, Environment Department; Mr D. M. Woodall, Commisson for the New Towns of England (Room 16, 4.15 pm). Social Services. Subject: Problems associated with AIDS. Witnesses: Terrence Higgins Trust/Body Positive. London Lighthouse; Mr Anthony Grey, Albany Society (Room 21, 4.15 pm). Transport. Subject: Decline of the UK registered merchant fleet. Witnesses: Nautical Institute; Instttute of Freight Forwarders; Marine Society (Room 17, 4.15 pm). Environment. Subject: Pollution of rivers and estuaries. Witness: Natural Research Environment Council (Room 20, 4.15 pm). Sound Broadcasting. Subject: Radio broadcasting of the proceedings of the House. Witness: Christopher Capron, BBC (Room 15, 5.30 pm). Joint Committee. Private Bill procedure: Witness: Society of Parliamentary Agents (Room 4, 4.30 pm).

THURSDAY

Commons: Lords amendments to the Teachers' Pay and Conditions Bill.

Lords: Hampshire (Lyndhurst Bypass) Bill (Second Reading). Criminal Justice (Scotland) Bill (Third Reading), Pilotage Bill, Report. Social Fund (Maternity and Funeral Expenses) Bill (Second Reading).

Select Committee: Norfolk and Suffolk Broads Bill (Room 5, 10.30 am).

FRIDAY

Commons: Private Members' motions.

Trade fairs and exhibitions: UK

Current
London Pret Exhibition (01-385 1200); International Men's and Boys' Wear Exhibition (021-705 6707); Junior Fashion Fair International (01-636 1833) (until February 24) — All at Olympia

February 25-26
Measurement and Test Exhibition — INSTRUMENTATION (0822 4671) — Harrogate

February 27-28
Cash and Carry Fashion Fair (01-727 1929) — Kensington Town Hall

March 3-4
USM Exhibition (01-493 0000) — The Brewery, EC1

March 3-5
Business Telecom Exhibition (01-868 4466) — Barbican Centre

March 4-6
Computers in Clothing Exhibition (01-467 7728) — Harrogate

March 7-8
British Chemists Exhibition—BRITCHEM (01-444 1777) — NEC, Birmingham

March 8-11
British Ski Trade Exhibition—SKI-EX (0922 24661) — Harrogate

March 11-13
Computers in Retail and Retail Technology Exhibition (01-222 9090) — NEC, Birmingham

March 14-15
Wedding Exhibition (041 332 6776) — G-Mex Centre, Manchester

March 15-17
British Footwear Fair (01-739 2071) — NEC, Birmingham

March 17-19
International Powder and Bulk Solids Technology Exhibition—POWTECH (01-686 5741) — G-mex Centre, Manchester

March 22-24
International Cycle and Leisure Fair—CYCLEX (01-390 2211) — Olympia

March 24-26
International Food and Drink Exhibition (031 225-5486) — King's Hall, Belfast

March 24-27
Information Technology and Office Automation Exhibition and Conference—INFO (01-647 1001) — Olympia

Overseas

Current
International Fair for Shopfitting, Advertising and Selling—ENUROSHOP (until February 25) (01-493 3893) — Dusseldorf

Current
Spring Fair (01-734 0543) (until February 25) — Frankfurt

February 25-March 3
International Fairs: Food; Materials Handling and Warehousing; Packaging and Printing (021-455 9600) — Brno

March 8-11
Winter Sports Equipment Exhibition (01-439 3964) — Grenoble

March 15-21
International Spring Fair (01-248 7013) — Leipzig

March 25-29
International Spring Trade Fair (01-977 4551) — Vienna

Business and Management Conferences

February 23
Longman Seminars: Process industries and the environment: risk and regulations (01-242 4111). — Glaziers' Hall, SE1

February 24-26
Management Training Consultants: Successful managers in action (Leicester 27062) — Leicester

February 24-26
Frost and Sullivan: Computer performance measurement applied to complex and shared disk environments (01-730 3438) — Carlton Tower, W1

February 25-26
McAvoy Wreford Bayley: Eighth Annual Corporate Communications and Advertising Conference (01-730 4500) — Park Lane Hotel, W1

February 26
Tolley Publishing Company: Acquiring a private company (01-686 9141) — Marriott Hotel, W1

March 4
The Royal Institute of International Affairs: Korea and the UK: a broadening relationship (01-930 2233) — Chatham House, SW1

March 4
CBI: Don't forget Aunt Agatha—keep your small shareholders informed (01-379 7400) — Centre Point, WC1

March 6
Longman Seminars: Pension Fund Surpluses (01-242 4111) — London Press Centre

March 11
City Dialogue: Financial engineering in property (01-937 1548) — Savoy Hotel, WC2

March 16
Campaign / Admap seminars: Monitoring advertising performance—the annual review of the best practice (01-379 6576) — Cavendish Conference Centre, W1

March 17-18
Insurance and Reinsurance Research Group: Airline insurance—where next? (01-236 2175) — The White House, NW1

March 19-20
FT Conferences: Pensions—The time for action (01-621 1355) — Hotel Inter-Continental, W1

March 26
Longman Seminars: EEC Deregulation in the airline industry (01-242 4111) — Hotel Inter-Continental, W1

April 2-4
The Rural Life Conference—action with communities (01-636 4066) — Royal Agricultural College, Cirencester

April 1
Longman Seminars: Merger accounting—financial reporting issues (01-242 4111) — Cavendish Conference Centre, W1

April 6
International Business Communications: 6th annual television planning and buying seminar (01-236 4080) — Marriott Hotel, W8

April 9-10
Institute for International Research: Selling personal financial services within the new regulatory framework (01-434 0301) — Park Lane Hotel, W1

April 9-10
Frost and Sullivan: Project management for data processing operations (01-730 3438) — Sullivan House, SW1

April 9
CBI: EFTPOS—the payment card revolution (01-379 7400) — Centre Point, WC1

Anyone wishing to attend any of the above events is advised to telephone the organisers to ensure that there has been no change in the details published.

WORLD STOCK MARKETS

AUSTRIA

1986/87 High	Low	Feb. 20	Price Sch
2,650	1,990	Credit'nst'lt pp	2,010
3,850	2,950	Goesser	3,100
16,000	12,700	Interunfall	13,100
21,750	9,120	Jungbunzlauer	9,700
2,475	1,950	Laenderbank	1,960
795	560	Perlmooser	650
211	140	Steyr Daimler	141
12,50	850	Veitscher Mag	934

BELGIUM/LUXEMBOURG

1986/87 High	Low	Feb. 20	Price Frs.
3,600	2,290	B.B.L	2,900
16,660	9,600	Banq. Gen. Lux.	15,650
17,000	9,400	Banq. Int.A.Lux.	15,200
14,500	5,350	Bekaert	9,600
4,660	2,640	Ciment CBR	4,420
195	120	Cockerill	141
5,240	1,662	Delhaize	5,040
6,410	3,580	EBES	6,210
2,700	1,680	Fabrique Nat.	1,970
1,054	358	GB Inno BM	1,054
4,525	2,695	GBL (Brux)	3,420
6,800	4,510	Generale Bank	6,280
6,850	4,750	Gevaert	6,230
8,150	5,700	Hoboken	7,470
4,300	2,880	Intercom	4,150
4,450	2,450	Kredietbank	4,300
11,650	9,900	Pan Holding	10,950
9,980	6,050	Petrofina	9,460
29,488	17,200	Royale Belge	24,600
3,600	2,180	Soc. Gen. Belge	3,350
13,400	7,710	Sofina	12,460
9,370	6,050	Solvay	9,070
595	185	Stanwick Intl	300
6,770	4,675	Tractebel	6,620
10,300	5,300	UCB	9,840
6,200	3,705	Wagons Lits	6,650

DENMARK

1986/87 High	Low	Feb. 20	Price Knr. %
970	510	Baltica Skand.	895
348	236	Cop Handelsb'nk	271
470	318	D. Sukkerfab.	346
381	269	Danske Bank	333
298	160	East Asiatic	208
1,240	870	Forenede Brygg.	905
665	289	GNT Hld.	322
835	605	I.S.S.B.	625
645	450	Jyske Bank	495
281	218	Novo Inds	257
339	229	Privatbanken	272
1,050	685	Sophus Berend	805
331	119	Superfos	170

GERMANY

1986/7 High	Low	Feb. 20	Price Dm
360	265	AEG.	298.1
2,875	1,190	Allianz Vers.	1,753
331.8	239	BASF	246.5
350	262.5	Bayer	291
588	419	Bayer-Hypo	439
675	411	Bayer-Verein	438.5
595	435	BHF-Bank	434
645	473	BMW.	495
348	232.5	Brown Boveri	285
377.5	257.5	Commerzbank	261.3
363.2	203	Cont'l Gummi	306.9
1,549.5	924.5	Daimler-Benz	952.5
554	357	Degussa	475
241.5	168	D'sche Babcock	240
920	664.5	Deutsche Bank	665
506	338	Dresdner Bank	349
345	267	Feld-Muehle	276
604	380	Henkel	481
1,300	710	Hochtief	916
327	232	Hoechst	248
201	89.5	Hoesch Werke	101
660	464	Holzmann (P)	501.5
262.5	166	Horten	226.5
650	495	Hussel	577
590	518	Karstadt	453
664	350	Kaufhof	480.5
395	145	KHD	155.8
125	55	Kloeckner	55.9
830	579	Linde	611
311.8	165	Lufthansa	172
247	140	MAN	164.5
311.6	142.1	Mannesmann	152
1,374	760	Mercedes Hld.	765
430	250	Metallgesell	250
4,350	1,135	Muench Rueck	1,650
747	548	Nixdorf	705
1,480	797	Porsche	865
297	167	Preussag	172
275	185.5	Rhein West Elect	252
455	271	Rosenthal	280
691	514	Schering	657
828.5	590.8	Siemens	651.9
195	107.7	Thyssen	116.5
417	259	Varta	365
346	255.5	Veba	269
202	159.5	V.E.W.	164
550	392	Verein-West	452
584	312	Volkswagen	347

NETHERLANDS

1986/7 High	Low	Feb. 20	Price Fls
68	44.6	ACF Holding	60.1
123.2	78	AEGON	67.4
116	69.6	Ahold	109.4
151.9	128.4	AKZO	132.8
638	508.5	ABN	617
93.6	64.7	AMEV	67.3
117	83.5	AMRO	86.3
260	68.9	Bredero Cert	70
61.2	53.7	Buehrmann-Tet.	52.7
205.5	156.8	Dordtsche Pet'm	199
261	164	Elsevier-NDU	244
98.5	61.3	Fokker	64.8
60.8	38.8	Gist Brocades	41.9
199.5	150.0	Heineken	157.5
115	29.8	Hoogovens	39.5
75	62.2	Hunter Doug N/V	67.4
33	16.7	IHC Caland	17.8
86.3	59.6	Int Mueller	64.5
55.8	35.1	KLM	41.5
171.6	118.7	KNP	147
89.6	71.5	Nat Ned Cert	75.1
255.5	175.6	Ned Mid Bank	171
219.9	157	Nedlloyd	169
553.5	366	Oce Grinten	387.5
39.5	30.4	Ommeren (Van)	34.6
92.5	60.0	Pakhoed	65.3
55.7	45	Philips	47.1
96.4	82.9	Robeco	99.3
142.1	133.2	Rodamco	140.8
87.8	72.2	Rolinco	87.3
61.1	45.5	Rorento	307.5
232.1	164.8	Royal Dutch	214
526	347.7	Unilever	307.6
32.3	23	VMF Stork	26.2
356.3	270.5	VNU	314.5
84.8	59.7	Wessanen	77.7
129.5	105.5	Wolters Samson	111

FRANCE

[illegible]

ITALY

[illegible]

SWEDEN

[illegible]

SWITZERLAND

[illegible]

HONG KONG

[illegible]

AUSTRALIA

[illegible]

SINGAPORE

[illegible]

FINLAND

[illegible]

NORWAY

[illegible]

SOUTH AFRICA

[illegible]

JAPAN

[illegible]

SPAIN

[illegible]

NOTES—Prices on this page are as quoted on the individual exchanges and are last traded prices. ‡ Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. * Price in Schillings.

Indices

NEW YORK

DOW JONES	Feb. 20	Feb. 19	Feb. 18	Feb. 17
◆Industrials	2235.25	2244.09	2237.63	2237.49
Home Bnds.	95.02	95.11	95.02	94.86

[illegible]

CANADA

[illegible]

NEW YORK ACTIVE STOCKS

[illegible]

[illegible]

CANADA

TORONTO

Closing prices February 20

[illegible]

MONTREAL

Closing prices February 20

[illegible]

OVER-THE-COUNTER *Nasdaq national market, Closing prices February 20*

Continued from Page 31

[illegible]

W. German banks call off talks with insurer

WEST GERMAN savings banks have abandoned negotiations aimed at taking a stake in Volksfürsorge, the union-owned insurance group, reports Reuter in Bonn.

This confirmed newspaper reports that Mr Helmut Geiger, the association president, had written to members advising them that after three months of discussion and public debate a decision could be put off no longer.

As a result, a meeting with Volksfürsorge majority owner set for March 2 has been called off.

The association said the main reason for the abandonment of the talks, which had been under way since December, was that a savings banks association in the state of North Rhine-Westphalia had voted against the move.

This had made it impossible to achieve the requisite three-quarters majority of the 560 voting members.

The main arm of the Volksfürsorge group is the Hamburg-based life insurer Volksfürsorge Lebensversicherung, which is an unlisted company. Industry sources said the unions are still thought to be interested in finding a buyer as part of their general pullout from co-operatively-owned companies.

Closing prices, February 20

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month High	12 Month Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
29 7/8	18 5/8	AAR s	.50	1.7	21	143	29 1/8	28 3/4	28 7/8	-1/8
34	21 7/8	ADT	.92	2.8	18	354	33 3/4	32 7/8	33 3/8	-3/8
38 1/2	20	AFG s	.12i	.3	11	672	36 5/8	36 1/4	36 1/2	+1/4
37	18 3/4	AGS			21	643	36 3/4	35	36 1/4	+1
15	6 3/4	AMCA				2	8 3/8	8 3/8	8 3/8	+1/8
9	4 7/8	AM Intl			288	2722	8 7/8	8 1/2	8 5/8	-1/4
62 1/8	47 1/4	AMR			13	2122	58 5/8	58 1/8	58 1/2	-1/4
16 1/8	10	ARX	.71t	5.5	12	221	12 7/8	12 5/8	12 7/8	+3/8
42 1/8	28 3/4	ASA	2a	4.9		1538	41 1/8	40 1/4	40 7/8	+3/8
18 5/8	8 3/4	AVX		2.0		136	16 1/2	15 7/8	15 7/8	-1/8
32	26 1/2	AZP	2.72	8.7	10	2801	31 1/4	31	31 1/8	+1/8
62 5/8	33	AbtLb s	.84	1.4	28	4723	61 5/8	61	61	-1/4
33 1/8	25	AccoWd	.62	1.9	21	65	u33 1/4	32 7/8	32 7/8	-1/4
14 1/8	9	AcmeC	.40	3.1	24	138	13 1/8	12 3/4	13	+1/8
9 1/4	6 1/8	AcmeE	.32b	4.3	25	8	7 1/2	7 3/8	7 3/8	-1/8
23 7/8	18	AdaEx	3.42e	15.		107	22 7/8	22 1/8	22 3/8	+3/8
17 3/8	11 3/8	AdmM s	.24	1.4	14	43	u17 3/4	17 1/8	17 3/8	+1/4
20 7/8	12 1/8	AdvSys	.62t	3.2	16	386	19 5/8	19 1/2	19 5/8	+1/8
32 7/8	12 7/8	AMD				6723	22 3/4	21 1/4	21 3/4	-1 1/8
10 3/8	5 1/4	Adobe				358	8 5/8	8 1/2	8 5/8	+1/8
19 1/2	13 3/4	Adob pf	1.84	9.3		44	u19 7/8	19 1/4	19 7/8	+5/8
21 7/8	16 3/8	Adob pf	2.40	11.		15	21 3/8	21 1/8	21 3/8	+1/4
18 3/8	11 1/2	Advest	.12a	.9	11	251	14	13 3/4	13 3/4	
68 1/4	53	AetnLf	2.64	4.0	11	7102	u66 3/4	65 3/4	66 3/8	+3/8
54 3/8	51 1/8	AetL pf	3.94e	7.4		805	53	52 5/8	53	+1/8
101 1/2	87 1/4	AetL pfC	5.67e	6.0		1450	94 3/8	94 3/8	94 3/8	-1/8
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Continued on Page 31

NYSE COMPOSITE CLOSING PRICES

Continued from Page 30

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
36⅞	29⅝	PerkEl .68		1.8	25	812	34½	33½	33¾	−⅞
7⅞	5½	Prmian.49e		6.8	7	606	7¼	7⅛	7¼	
20⅞	12	PeryDr .22		1.5	25	x156	14¾	14⅜	14½	+⅛
35¾	23¾	Petrie .70		2.2	16	4249	31⅝	30⅝	31⅜	+¾
33	23⅞	PetRs 2.57e		8.1		51	31¾	31⅜	31⅝	
20	16	PetRs pf1.57		8.2		54	19¼	18¾	19¼	+½
3	1	Ptrlev				103	1⅜	1¼	1⅜	
77	51	Pfizer 1.80		2.4	18	2938	74⅝	73⅞	73⅞	−¾
32½	16	PhelpD			26	2085	29⅜	29	29¼	+⅛
63	49¾	Phelp pr 5		9.0		139	56	55⅝	55¾	+¼
28	17⅞	PhilaEl2.20		8.8	10	27122	25¼	24⅞	25	−⅛
48	37	PhE pfC4.40		9.2		z200	48	47	48	+1
57⅞	38½	PhE pfD4.68		8.8		z200	u53	53	53	+⅝
81⅝	60½	PhE pfE 7		8.6		128	81⅝	81	81½	−½
106	100½	PhE pfS9.50		9.0		z10	105	105	105	
13⅞	11½	PhE pfR1.41		10.		60	13⅝	13⅜	13⅝	+¼
13¼	10⅝	PhE pfP1.33		10.		87	12¾	12¾	12¾	
88⅝	32	PhE pfH7.85		9.0		z461	087	86¼	87	
12⅞	10⅜	PhE pfO1.28		10.		29	12⅜	12¼	12⅜	
134¼	122½	PhE pfN17.13		13.		z1280	128⅝	127½	128	−⅜
124	112	PhE pfM15.25		13.		z550	119¼	118½	119¼	+¼
104½	89	PhE pfL9.52		9.3		z310	102	102	102	
103	79½	PhE pfK9.50		9.3		z2760	102	101	102	+3
85	66	PhE pfJ7.80		9.1		z520	86⅞	85⅝	86	−1
84	65½	PhE pfI7.75		9.2		z300	u84½	84½	84½	+½
19¼	12⅝	PhilSb s .94		5.2	15	37	18½	18⅛	18⅛	−½
91¼	49⅝	PhlMr s 3		3.5	14	10066	87⅛	85	85	−3
20¾	13	Philpl s .36		1.8	18	779	20¼	19⅞	20	
14⅜	8¼	PhilPet .60		4.7	14	5177	13	12⅞	12¾	
24½	19¾	PhlPt pf1.87e		7.8		11	24⅛	24⅛	24⅛	
45½	31⅝	PhilVH .40		.9	16	44	43¾	43⅝	43⅝	−⅛
13½	9	Phlcrp n				801	11⅝	9⅝	9¾	−1⅞
69¾	35¾	PiedAv .32		.5	20	6806	u70⅞	69¾	70	+¼
70	48½	PiedA pf				2054	u70½	70	70	+⅜
24¼	17	PieNG s1.20		5.3	16	83	23	22½	22½	−¼

X Y Z

12 Month High	Low	Stock	Div.	Yld.	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
17½	11	WyleLb .32		2.0	34	38	16	15⅞	16	+⅛
25¾	16½	Wynns .80		2.8	13	136	21¾	21½	21⅝	
74½	49⅝	Xerox 3		4.0	19	2883	74½	73	74½	+1½
58¼	55	Xerox pf5.45		9.5		453	57⅝	56⅞	57⅝	+¼
28¾	21½	XTRA .64		2.3		41	28	27¾	27⅞	−⅛
20⅝	13½	Yorkin n			23	152	20	19⅝	19⅝	
6	2¼	Zapata				155	3⅞	3⅝	3¾	
45⅞	20¾	Zayre s .32		1.1	21	6875	30½	29⅝	30⅜	+1¼
17	9⅝	Zemex .40		3.1	8	42	13	12⅞	12⅞	+⅛
29⅞	16⅞	ZenithE				2097	24	23⅜	23½	−½
18¼	8	ZenLb s			63	1572	10⅛	9⅝	10⅛	+⅜
22⅞	12⅝	Zero .36		1.9	20	69	18⅞	18⅜	18½	−⅛
48¾	32¾	Zurnin 1.32		2.8	19	157	47½	47⅛	47½	+½
10⅞	8¼	Zweig n.10e		1.1		1007	9⅝	9⅜	9⅝	−⅛

Sales figures are unofficial. Yearly highs and lows reflect the previous 52 weeks plus the current week, but not the latest trading day. Where a split or stock dividend amounting to 25 per cent or more has been paid, the year's high-low range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividends are annual disbursements based on the latest declaration.

a-dividend also extra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E-price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls – sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted; vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-divident or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE CLOSING PRICES

Closing prices, February 20

OVER-THE-COUNTER

Nasdaq national market, Closing prices, February 20

Continued on Page 29

FOREIGN EXCHANGES

G-7 accord must be credible to prevent dollar fall

by COLIN MILLHAM

FINANCE MINISTERS from the leading industrial nations met in Paris at the weekend. As far as Japan was concerned the Group of Five and Group of Seven meetings were aimed at stabilising the dollar on the foreign exchanges. To this end the Bank of Japan announced a cut of ½ per cent to 2½ per cent in its discount rate on Friday.

On the other hand the US was believed to be looking for commitments from Japan and West Germany to increase economic growth as part of any agreement. The Japanese action was therefore regarded as positive, but the financial markets were sceptical about the West German attitude to any US proposals, and to the ultimate success of any claimed accord.

German economic policy has generally been regarded as conservative, although the Bundesbank would probably claim it was sensible and prudent. It was therefore regarded as unlikely that the Federal Republic would agree to relax its monetary policy and cut interest rates in order to gain agreement.

West Germany was also known to be against setting permanent currency target zones, and the market tended to agree that targets would be impossible to meet without increased international economic co-operation.

Thursday was the most important day for the market last week, but not for the reasons expected. News that ministers from the US, UK, France, Japan, West Germany, Canada, and Italy were to meet as the Group of Five and Group of Seven overshadowed other factors.

Mr Paul Volcker, chairman of the US Federal Reserve Board, and Mr James Baker, US Treasury Secretary, spoke to Congressional committees on Thursday, and their words may have had greater impact, but for the news about the Paris meetings.

On Thursday it was also announced fourth quarter US Gross National Product growth had been revised down to 1.3 per cent from the previous estimate of 1.7 per cent, compared with market expectations of an upward revision to 2 per cent.

Once again the impact was muted, because the market was trying to digest the implications of the G-7 meeting, while in the circumstances dealers were also able to rationalise that fourth quarter figures were historical and of only limited value in deciding the future direction of the dollar.

The market also managed to ignore an announcement that Brazil claimed to be unable to meet its debt repayments, news that might have serious implications for the US banking system, but only produced any strong reaction in the bullion market, where gold found a little support.

US economic figures, due for release this week, are not expected to be particularly encouraging for the dollar. January durable goods orders will be published tomorrow and according to a survey conducted by Money Market Services, these will be down 0.5 per cent.

Friday's January US trade figures are forecast by MMS to show a deficit of $15.5bn, compared with $10.7bn in December. The market's reaction to such a large deficit and any other disappointing US economic figures, is likely to depend on the result of the weekend G-7 meeting.

Unless the market is convinced there will be co-operation on economic policies by the main industrial nations, or that the US will agree to prevent a further weakening of its currency, this week's news could send the dollar on another sharp downward slide.

£ IN NEW YORK

Feb 20	Close	Previous Close
£ Spot	1.5350-1.5360	1.5280-1.5290
1 month	0.55-0.53 pm	0.53-0.52 pm
3 months	1.54-1.51 pm	1.47-1.45 pm
12 months	5.25-5.18 pm	5.20-5.08 pm

Forward premiums and discounts apply to the U.S. dollar.

STERLING INDEX

	Feb. 20	Previous
8.30 am	69.1	69.5
9.00 am	69.1	69.5
10.00 am	69.2	69.4
11.00 am	69.2	69.3
Noon	69.2	69.3
1.00 pm	69.2	69.3
2.00 pm	69.1	69.3
3.00 pm	69.1	69.3
4.00 pm	69.1	69.2

CURRENCY MOVEMENTS

February 20	Bank of England Index	Morgan Guaranty Changes %
Sterling	69.1	N/A
U.S. Dollar	104.0	N/A
Canadian Dollar	78.6	N/A
Austrian Schilling	139.2	N/A
Belgian Franc	100.6	N/A
Danish Krone	93.9	N/A
Deutsche Mark	148.3	N/A
Swiss Franc	170.9	N/A
Guilder	135.3	N/A
French Franc	72.2	N/A
Lira	48.6	N/A
Yen	209.1	N/A

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base average 1975=100).

CURRENCY RATES

Feb. 20	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	—	0.82466	0.738495
U.S. Dollar	5.5	1.2609	1.12916
Canadian $	8.20	*	1.50201
Austrian Sch.	4	N/A	14.5320
Belgian Franc	8½	N/A	42.7528
Danish Krone	7	N/A	7.78499
Deutsche Mark	3.0	2.3091	2.06410
Neth. Guilder	4½	N/A	2.33183
French Franc	9½	7.6940	6.87263
Italian Lira	12	N/A	1467.63
Japanese Yen	2½	193.93	173.495
Norway Krone	8	N/A	7.89965
Spanish Peseta	—	N/A	145.323
Swedish Krona	7½	N/A	7.32373
Swiss Franc	3.5	N/A	1.74512
Greek Drach.	20½	N/A	151.816
Irish Punt	—	N/A	0.775788

*C$/SDR rate for Feb. 19; 1.67227

OTHER CURRENCIES

Feb. 20	£	$
Argentina	2.1310-2.1405	1.3930-1.3980
Australia	2.2990-2.3020	1.5035-1.5050
Brazil	27.1070-27.2610	17.7170-17.7260
Finland	6.9225-6.9425	4.5420-4.5440
Greece	203.30-206.85	133.25-135.50
Hong Kong	11.9265-11.9370	7.7950-7.7970
Iran	110.80*	72.60*
Korea (Sth)	1303.25-1315.05	853.00-860.00
Kuwait	0.42390-0.42460	0.27720-0.27740
Luxembourg	57.75-57.85	37.75-37.85
Malaysia	3.8925-3.8995	2.5440-2.5470
N. Zealand	2.7800-2.7875	1.8170-1.8205
Saudi Ar.	5.7355-5.7410	3.7500-3.7510
Singapore	3.2635-3.2705	2.1330-2.1360
S. Af. (Cm)	3.1965-3.2190	2.0790-2.0835
S. Af. (Fn)	6.3040-6.5755	4.1235-4.3010
Taiwan	53.30-53.60	34.95-35.05
U.A.E.	5.6170-5.6325	3.6725-3.6735

* Selling rate.

FORWARD RATES AGAINST STERLING

	Spot	1 mth	3 mths	6 mths	12 mths
US Dollar	1.5285	1.5231	1.5133	1.5005	1.4765
D-mark	2.7950	2.7803	2.7516	2.7148	2.6424
French Fr.	9.3050	9.2886	2.9645	9.2424	9.2936
Swiss Fr.	2.3600	2.3469	2.3217	2.2887	2.2230
Yen	234.75	233.53	230.92	227.85	221.60

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu central rates	Currency amounts against Ecu February 20	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc	42.4582	42.7528	+0.69	+0.69	± 1.5344
Danish Krone	7.85212	7.78499	−0.85	−0.85	± 1.6404
German D-Mark	2.05853	2.06410	+0.27	+0.27	± 1.0981
French Franc	6.90403	6.87263	−0.45	−0.45	± 1.3674
Dutch Guilder	2.31943	2.33183	+0.53	+0.53	± 1.5012
Irish Punt	0.768411	0.775788	+0.96	+0.96	± 1.6684
Italian Lira	1483.58	1467.63	−1.08	−1.08	± 4.0752

Changes are for Ecu, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

EXCHANGE CROSS RATES

Feb. 20	£	$	DM	YEN	F Fr.	S Fr.	H Fl.	Lira	C $	B Fr.
£	1.	1.529	2.795	234.8	9.305	2.360	3.153	1985.	2.034	57.80
$	0.654	1.	1.828	153.6	6.088	1.545	2.063	1299.	1.330	37.80
DM	0.358	0.547	1.	83.99	3.329	0.844	1.128	710.2	0.728	20.68
YEN	4.260	6.511	11.91	1000.	39.64	10.05	13.43	8456.	8.662	246.2
F Fr.	1.075	1.643	3.004	252.3	10.	2.536	3.388	2133.	2.185	62.12
S Fr.	0.424	0.648	1.184	99.47	3.943	1.	1.336	841.1	0.862	24.49
H Fl.	0.317	0.485	0.887	74.46	2.952	0.749	1.	629.7	0.645	18.33
Lira	0.504	0.770	1.408	118.3	4.688	1.189	1.588	1000.	1.024	29.12
C $	0.492	0.752	1.374	115.4	4.576	1.161	1.550	976.1	1.	28.42
B Fr.	1.730	2.644	4.836	406.1	16.10	4.083	5.454	3434.	3.518	100.

Yen per 1,000: French Fr per 10: Lira per 1,000: Belgian Fr per 100.

EURO-CURRENCY INTEREST RATES

Feb. 20	Short term	7 Days' notice	One Month	Three Months	Six Months	One Year
Sterling	11¼-11½	11¼-11½	11-11¼	10½-10⅝	10¼-10⅜	10¼-10⅜
U.S. Dollar	5$\frac{13}{16}$-6$\frac{1}{16}$	6$\frac{1}{16}$-6$\frac{3}{16}$	6$\frac{3}{16}$-6$\frac{5}{16}$	6$\frac{3}{16}$-6$\frac{5}{16}$	6$\frac{3}{16}$-6$\frac{5}{16}$	6⅜-6½
Can. Dollar	6¼-6½	6¾-7	7-7¼	7$\frac{5}{16}$-7$\frac{7}{16}$	7$\frac{9}{16}$-7$\frac{11}{16}$	7⅝-7¾
D. Guilder	5$\frac{5}{16}$-5$\frac{7}{16}$	5$\frac{5}{16}$-5$\frac{7}{16}$	5$\frac{5}{16}$-5$\frac{7}{16}$	5$\frac{5}{16}$-5$\frac{7}{16}$	5¼-5⅜	5¼-5⅜
Sw. Franc	⅞-1⅛	8¼-8½	3½-3⅝	3$\frac{11}{16}$-3$\frac{13}{16}$	3$\frac{11}{16}$-3$\frac{13}{16}$	3⅞-4
Deutschmark	3$\frac{11}{16}$-3$\frac{13}{16}$	3⅞-4	3$\frac{15}{16}$-4$\frac{1}{16}$	4-4⅛	4-4⅛	4⅛-4¼
Fr. Franc	8½-8¾	8½-8¾	8½-8¾	8$\frac{9}{16}$-8$\frac{11}{16}$	8⅝-8¾	8⅝-8¾
Italian Lire	9-12	9¾-10⅛	10¼-10⅝	10¼-10⅝	10¼-10⅝	10¼-10⅝
B. Fr. (Fin.)	7½-7¾	7⅝-7⅞	7$\frac{11}{16}$-7$\frac{15}{16}$	7$\frac{11}{16}$-7$\frac{15}{16}$	7¾-7⅞	7¾-7⅞
B. Fr. (Con.)	7½-8	7¾-8¼	7¾-8¼	7¾-8¼	7¾-8¼	7¾-8¼
Yen	4⅛-4$\frac{5}{16}$	4¼-4⅜	4$\frac{5}{16}$-4⅜	4$\frac{5}{16}$-4⅜	4$\frac{5}{16}$-4⅜	4¼-4⅜
D. Krone	10¾-11¼	11-11½	11-11½	10¾-11¼	10¾-11¼	10¾-11¼
Asian $ (Sing.)	3½-3¾	N/A	3¼-3⅜	3¼-3⅜	3⅜-3½	3⅝-3¾

Long-term Eurodollars: Two years 6⅝-6¾ per cent; three years 7-7¼ per cent; four years 7⅜-7⅝ per cent; five years 7⅝-7⅞ per cent nominal. Short-term rates are call for US Dollars and Japanese Yen; others, two days' notice.

POUND SPOT—FORWARD AGAINST THE POUND

Feb. 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.5250-1.5305	1.5280-1.5290	0.56-0.53c pm	4.28	1.55-1.50 pm	3.99
Canada	2.0281-2.0381	2.0330-2.0340	0.61-0.53 c pm	3.36	1.57-1.45 pm	2.97
Neth'lands	3.14¾-3.16½	3.14¾-3.15¾	1½-1¼ c pm	5.00	4-3¾ pm	4.92
Belgium	57.75-58.01	57.75-57.85	16-10 c pm	2.70	39-31 pm	2.42
Denmark	10.52¾-10.57¼	10.53½-10.54½	⅛ pm-⅝ ore dis	−0.28	1⅛-1⅞ dis	−0.57
Ireland	1.0470-1.0550	1.0510-1.0520	0.30-0.50 p dis	−4.56	0.80-1.10 dis	−3.61
W. Germany	2.78¼-2.80¼	2.79-2.80	1½-1⅜ pf pm	6.17	4⅜-4¼ pm	6.17
Portugal	215.45-217.04	215.60-216.50	80-160 c dis	−6.67	282-395 dis	−6.27
Spain	196.34-197.15	196.35-196.60	20-38 c dis	−1.77	77-117 dis	−1.97
Italy	1981¼-1993	1984½-1985½	2-par lire pm	0.91	2pm-1 dis	0.10
Norway	10.65¼-10.70¼	10.67-10.68	2⅞-3⅝ ore dis	−3.65	11½-12¼ dis	−4.45
France	9.29¼-9.32½	9.30-9.31	1⅝-1⅜ c pm	2.10	4⅝-3⅞ pm	1.75
Sweden	9.91¼-9.94¼	9.92-9.93	par-½ ore dis	−0.30	1-1½ dis	−0.51
Japan	234¼-235½	234¼-235¼	1½-1¼ y pm	6.07	3⅝-3½ pm	6.07
Austria	19.57-19.71	19.57-19.60	9⅞-8⅞ gro pm	5.59	27-24¾ pm	5.25
Switzerland	2.35¼-2.36¼	2.35½-2.36½	1½-1¼ c pm	6.67	3⅝-3½ pm	6.46

Belgian rate is for convertible francs. Financial franc 58.35-58.45. Six-month forward dollar 2.83-2.78 c pm 12-month 5.25-5.15 c pm.

DOLLAR SPOT—FORWARD AGAINST THE DOLLAR

Feb. 20	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.5250-1.5305	1.5280-1.5290	0.56-0.53c pm	4.28	1.55-1.50 pm	3.99
Ireland†	1.4515-1.4585	1.4545-1.4555	0.89-0.81c pm	7.02	2.65-2.50 pm	7.09
Canada	1.3270-1.3325	1.3295-1.3305	0.09-0.11c dis	−0.90	0.33-0.36 dis	−1.04
Netherlands	2.0570-2.0695	2.0620-2.0630	0.16-0.13c pm	0.84	0.57-0.52 pm	1.05
Belgium	37.75-37.93	37.75-37.93	4-6c dis	−1.58	13-15 dis	−1.53
Denmark	6.88¼-6.91½	6.89¼-6.89¾	2.10-3.00ore dis	−4.42	6.80-7.70 pm	−4.19
W. Germany	1.8210-1.8320	1.8270-1.8280	0.33-0.30pf pm	2.06	1.05-1.00 pm	2.24
Portugal	141¼-142	141¼-141¾	110-160c dis	−11.44	350-420 dis	−10.88
Spain	128.35-129.03	128.60-128.70	60-70c dis	−6.05	195-205 dis	−6.21
Italy	1294½-1303	1298¼-1299¼	3½-4½lire dis	−3.69	11½-13 dis	−3.76
Norway	6.97½-7.00	6.98¼-6.98¾	4.20-4.90ore dis	−7.81	14.30-15.00dis	8.38
France	6.06¾-6.10½	6.08½-6.09	1.00-1.20c dis	−2.17	3.25-3.65 dis	−2.26
Sweden	6.47½-6.51	6.49-6.49½	2.20-2.70 ore dis	−4.52	6.95-7.55 dis	−4.46
Japan	153.35-153.90	153.55-153.65	0.27-0.24y pm	1.99	0.89-0.84 pm	2.25
Austria	12.84¼-12.88¼	12.84¾-12.85¼	1.70-1.30gro pm	1.40	5.00-4.00 pm	1.40
Switzerland	1.5400-1.5490	1.5440-1.5450	0.33-0.29c pm	2.40	1.00-0.95 pm	2.52

† UK and Ireland are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency. Belgian rate is for convertible francs. Financial franc 38.15-38.25.

LIFFE LONG GILT FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
106	12.22	12.38	0.00	0.02
108	10.22	10.42	0.00	0.06
110	8.22	8.49	0.00	0.13
112	6.22	7.01	0.00	0.29
114	4.22	5.20	0.00	0.48
116	2.22	3.55	0.00	1.19
118	0.22	2.45	0.00	2.09
120	0.00	1.51	1.42	3.15

Estimated volume total, Calls 2,877 Puts 783
Previous day's open int: Calls 16,475 Puts 12,054

LIFFE US TREASURY BOND FUTURES OPTIONS

Strike Price	Calls—Last Mar.	Calls—Last June	Puts—Last Mar.	Puts—Last June
90	10.24	9.31	0.00	0.05
92	8.24	7.39	0.00	0.13
94	6.24	5.54	0.00	0.28
96	4.24	4.18	0.00	0.56
98	2.24	2.62	0.00	1.36
100	0.24	1.54	0.00	2.28
102	0.00	1.11	1.40	3.49
104	0.00	0.43	3.40	5.17

Estimated volume total, Calls 72 Puts 30
Previous day's open int: Calls 1,034 Puts 546

LIFFE FT-SE 100 INDEX FUTURES OPTIONS

Strike Price	Calls—Last Feb	Calls—Last Mar	Puts—Last Feb	Puts—Last Mar
17250	24.80	24.82	0.00	0.02
17500	22.30	22.34	0.00	0.04
17750	19.80	19.89	0.00	0.09
18000	17.30	17.47	0.00	0.17
18250	14.80	15.12	0.00	0.32
18500	12.30	12.75	0.00	0.45
18750	9.80	10.72	0.00	0.92
19000	7.30	8.72	0.00	1.42

Estimated volume total, Calls 29, Puts 10
Previous day's open int, Calls 450 Puts 492

LIFFE £/$ OPTIONS
£25,000 (cents per £1)

Strike Price	Calls—Last Mar.	Apr.	May	June	Puts—Last Mar.	Apr.	May	June
1.30	22.85	—	—	22.85	0.00	—	—	0.02
1.35	17.85	—	—	17.85	0.00	—	—	0.09
1.40	12.85	12.85	12.85	12.85	0.00	0.02	0.23	0.41
1.45	7.85	7.85	7.85	7.85	0.06	0.24	0.91	1.28
1.50	2.98	3.27	3.95	3.56	0.58	1.33	2.51	2.56
1.55	0.58	1.00	1.76	1.96	3.18	4.06	5.32	5.96
1.60	0.04	0.19	0.64	0.80	7.64	8.25	9.20	9.80

Estimated volume total, Calls 0 Puts 50
Previous day's open int, Calls 1,279 Puts 1,821

LONDON SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Mar.	Apr.	May	June	Puts—Last Mar.	Apr.	May	June
1.35	15.70	—	—	13.90	0.25	—	—	0.80
1.40	12.80	12.80	12.80	12.80	0.30	0.30	0.40	0.65
1.45	7.80	7.80	7.80	7.95	0.30	0.50	1.00	1.50
1.50	3.05	3.45	3.95	4.30	0.80	1.65	2.55	3.30
1.55	0.65	1.20	1.70	2.10	3.45	4.40	5.40	6.20
1.60	0.30	0.45	0.70	1.00	7.80	8.60	9.40	10.00
1.65	1.50	—	—	1.90	20.20	—	—	21.40

Previous day's open int: Calls 894 Puts 329
Volume: 0

PHILADELPHIA SE £/$ OPTIONS
£12,500 (cents per £1)

Strike Price	Calls—Last Mar.	Apr.	May	June	Mar.	Puts—Last Apr.	May	June
1.40	12.90	11.95	—	12.90	—	0.05	—	0.30
1.45	8.00	7.35	8.00	8.10	—	0.25	10.70	1.05
1.47	5.50	5.60	—	6.00	0.10	0.60	1.30	1.80
1.50	3.30	3.50	3.70	4.00	0.40	1.35	2.25	2.59
1.52	1.45	2.05	2.30	2.70	1.30	2.05	3.10	3.90
1.55	0.50	1.20	1.55	1.90	2.50	3.90	4.40	5.30
1.57	0.05	0.45	0.80	1.10	4.90	5.70	6.50	7.20

Previous day's open int: Calls 42,313 Puts 41,056
Previous day's volume, Calls 297 Puts 4,632

LIFFE—EURODOLLAR OPTIONS
$1m points of 100%

Strike Price	Calls—Last Mar.	June	Sept.	Dec.	Puts—Last Mar.	June	Sept.	Dec.
93.00	0.61	0.73	0.76	—	0.00	0.05	0.09	—
93.25	0.37	0.52	0.57	—	0.01	0.09	0.15	—
93.50	0.15	0.35	0.40	—	0.04	0.17	0.23	—
93.75	0.04	0.21	0.26	—	0.18	0.28	0.34	—
94.00	0.01	0.11	0.16	—	0.40	0.43	0.49	—
94.25	0.00	0.05	0.09	—	0.64	0.62	0.67	—
94.50	0.00	0.02	0.04	—	0.89	0.84	0.87	—

Previous day's open int: Calls 1,911 Puts 2,164
Estimated volume, Calls 115 Puts 115

LONDON

20-YEAR 12% NOTIONAL GILT
£50,000 32nds of 100%

	Close	High	Low	Prev.
March	118-11	118-12	117-23	117-22
June	118-18	118-17	117-31	117-29
Sept.	118-27	—	—	118-06
Dec.	118-17	—	—	117-28

Estimated volume 18,325 (32,446)
Previous day's open int. 20,962 (18,758)

10% NOTIONAL SHORT GILT
£100,000 64ths of 100%

	Close	High	Low	Prev.
March	100-10	—	—	100-00

Estimated Volume 0 (0)
Previous day's open int. 66 (66)

THREE-MONTH STERLING
£500,000 points of 100%

	Close	High	Low	Prev.
March	89.69	89.70	89.57	89.60
June	90.22	90.22	90.11	90.11
Sept.	90.32	90.32	90.25	90.23
Dec.	90.33	90.33	90.28	90.24
March	90.24	90.24	90.24	90.14
June	90.11	—	—	90.00

Estimated Volume 4,390 (9,370)
Previous day's open int. 18,486 (18,798)

FT-SE 100 INDEX
£25 per full index point

	Close	High	Low	Prev.
March	197.30	198.70	196.20	195.50
June	200.80	202.00	200.80	199.00

Estimated volume 967 (1,868)
Previous day's open int. 4,438 (4,457)

THREE-MONTH EURODOLLAR
$1m points of 100%

	Close	High	Low	Prev.
March	93.61	93.61	93.57	93.53
June	93.68	93.70	93.65	93.62
Sept.	93.67	93.69	93.66	93.61
Dec.	93.60	93.61	93.59	93.56
March	93.47	93.45	93.44	93.43
June	93.28	—	—	93.24
Sept.	93.07	—	—	93.03
Dec.	92.85	—	—	92.82

Estimated volume 5,206 (9,962)
Previous day's open int. 33,126 (34,102)

U.S. TREASURY BONDS 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
March	100-12	100-12	99-29	100-02
June	99-13	99-03	99-00	99-05

Estimated Volume 3,373 (7,415)
Previous day's open int. 5,018 (4,868)

CURRENCY FUTURES

POUND—$ (FOREIGN EXCHANGE)

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.5285	1.5231	1.5133	1.5005	1.4765

IMM—STERLING $s per £

	Close	High	Low	Prev
Mar.	1.5265	1.5280	1.5230	1.5265
June	1.5125	1.5135	1.5085	1.5130
Sept.	1.5000	1.5010	1.4930	1.5000

LIFFE—STERLING £25,000 $ per £

	Close	High	Low	Prev
March	1.5240	—	—	1.5211
June	1.5100	1.5101	1.5101	1.5076
Sept.	1.4960	—	—	1.4955

Estimated volume 2(54)
Previous day's open int 1,091 (1,039)

CHICAGO

U.S. TREASURY BONDS (CBT) 8%
$100,000 32nds of 100%

	Close	High	Low	Prev.
Mar.	100-10	100-18	100-02	100-08
June	99-11	99-19	99-03	99-09
Sept.	98-13	98-19	98-06	98-11
Dec.	97-16	97-21	97-08	97-13
Mar.	96-20	—	—	96-17
June	95-25	95-27	95-25	95-22
Sept.	94-31	95-00	94-31	94-28
Dec.	94-06	94-08	94-06	94-03
Mar.	93-15	—	—	93-12
June	—	—	—	—
Sept.	92.07	—	—	92-04

U.S. TREASURY BILLS (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Mar.	94.46	94.56	94.42	94.44
June	94.56	94.63	94.53	94.54
Sept.	94.59	94.66	94.55	94.57
Dec.	94.51	94.57	94.50	94.52

SWISS FRANC (IMM)
SFr125,000 $ per SFr

	Close	High	Low	Prev.
Mar.	0.6493	0.6500	0.6471	0.6494
June	0.6534	0.6542	0.6513	0.6537
Sept.	0.6575	0.6580	0.6555	0.6582

JAPANESE YEN (IMM)
Y12.5m $ per Y100

	Close	High	Low	Prev.
Mar.	0.6522	0.6526	0.6513	0.6515
June	0.6560	0.6563	0.6550	0.6553
Sept.	0.6600	0.6600	0.6592	0.6593

DEUTSCHE MARK (IMM)
DM125,000 $ per DM

	Close	High	Low	Prev.
Jan.	0.5512	0.5525	0.5496	0.5516
Mar.	0.5482	0.5496	0.5466	0.5545
June	0.5512	0.5525	0.5496	0.5516

THREE-MONTH EURODOLLAR (IMM)
$1m points of 100%

	Close	High	Low	Prev.
Mar.	93.60	93.63	93.56	93.61
June	93.66	93.70	93.64	93.69
Sept.	93.65	93.69	93.64	93.68
Dec.	93.56	93.60	93.54	93.61
Mar.	93.40	93.46	93.38	93.47
June	93.20	93.27	93.17	93.28
Sept.	92.97	93.05	92.96	93.06
Dec.	92.75	92.82	92.74	92.84

STANDARD & POORS 500 INDEX
$500 times index

	Latest	High	Low	Prev.
Mar.	285.65	287.10	284.50	286.20
June	287.30	288.70	286.00	287.75
Sept.	288.55	289.40	286.80	289.05
Dec.	289.80	290.80	288.20	290.15

MONEY MARKETS

No shortage of fuel

PRESSURE FOR a cut in UK clearing bank base rates eased on Friday, after the Bank of England released the safety value by lending money to the discount houses at an unattractive rate. By the end of the week the London money market had run out of steam, but there was every sign there was no shortage of fuel for the boiler.

UK clearing bank base lending rate 11 per cent since October 15

The authorities sent a stop signal to the market on Thursday, and repeated it on Friday, after there was a marked reluctance to sell bills at the present intervention rates, to relieve the day-to-day credit shortage.

Pressure for a cut of ½ point to 10½ per cent in base rates built up after a large repayment of £3.7bn in the January UK Public Sector Borrowing Requirement. This was towards the top of market expectations, although seasonally high tax revenues had led to forecasts of an encouraging PSBR figure.

The market's tone was reinforced by the latest public opinion polls, indicating a probable return of a Conservative Government, in the event of an early general election.

The PSBR outturn encouraged a downward revision in forecasts for January money supply growth and bank lending. A rise of 1-1¼ per cent in sterling M3, a fall of ½ per cent in MO, and an increase of £1.8bn in bank lending was still good enough to add to the downward pressure on rates, until the Bank of England stepped in.

The authorities have resisted an immediate cut in bank base rates, but the market remains convinced the climate is right for a reduction, and this was reinforced by the cut in Japan's discount rate, ahead of the G-7 meeting.

FT LONDON INTERBANK FIXING

(11.00 a.m. Feb. 20) 3 months U.S. dollars		6 months U.S. dollars	
bid 6 $\frac{3}{16}$	offer 6 $\frac{5}{16}$	bid 6 $\frac{3}{16}$	offer 6 $\frac{5}{16}$

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted by the market to five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

BANK OF ENGLAND TREASURY BILL TENDER

	Feb. 20	Feb. 13		Feb. 20	Feb. 13
Bills on offer	£100m	£100m	Top accepted rate of discount	10.1879%	10.4687%
Total of applications	£496m	£314m	Average rate of discount	10.1601%	10.4392%
Total allocated	£100m	£100m	Average yield	10.42%	10.72%
Minimum accepted bid	£97.46	£97.39	Amount on offer at next tender	£100m	£100m
Allotment at minimum level	12%	89%			

WEEKLY CHANGE IN WORLD INTEREST RATES

	Feb. 20	change		Feb. 20	change
LONDON			**NEW YORK**		
Base rates	11	Unch'd	Prime rates	7½	Unch'd
7 day Interbank	11$\frac{1}{16}$	+$\frac{1}{16}$	Federal Funds	5$\frac{13}{16}$	−$\frac{1}{16}$
3-month Interbank	10$\frac{9}{16}$	−⅛	3 Mth. Treasury Bills	5.57	−0.20
Treasury Bill Tender	10.1601	−0.2791	6 Mth. Treasury Bills	5.67	−0.19
Band 1 Bills	10⅞	Unch'd	3 Mth. C D	6.14	−0.06
Band 2 Bills	10$\frac{13}{16}$	Unch'd	**FRANKFURT**		
Band 3 Bills	10¾	Unch'd	Lombard	5.0	Unch'd
Band 4 Bills	10$\frac{11}{16}$	Unch'd	One mth. Interbank	3.725	Unch'd
3 Mth. Treasury Bill	10⅝	+$\frac{1}{16}$	Three month	3.975	+0.10
1 Mth. Bank Bills	10$\frac{13}{16}$	Unch'd	**PARIS**		
3 Mth. Bank Bills	10⅝	+$\frac{1}{32}$	Intervention Rate	8.00	Unch'd
TOKYO			One mth. Interbank	8$\frac{1}{16}$	+$\frac{1}{16}$
One month Bills	4.40625	+0.0625	Three month	8$\frac{1}{16}$	+$\frac{1}{16}$
Three month Bills	4.28125	—	**MILAN**		
BRUSSELS			One month	11⅝	+¼
One month	7$\frac{13}{16}$	Unch'd	Three month	11⅞	Unch'd
Three month	7$\frac{13}{16}$	Unch'd	**DUBLIN**		
AMSTERDAM			One month	14¼	−½
One month	5$\frac{5}{16}$	+$\frac{1}{16}$	Three month	14	−¼
Three month	5$\frac{5}{16}$	+⅛			

London—band 1 bills mature in up to 14 days, band 2 bills 15 to 33 days, band 3 bills 34 to 63 days and band 4 bills 64 to 91 days. Rates quoted represent Bank of England buying or selling rates with the money market. In other centres rates are generally deposit rates in the domestic money market and their respective changes during the week.

MONEY RATES

NEW YORK (4 pm)

Prime rate	7½
Broker loan rate	7½
Fed. funds	5$\frac{13}{16}$
Fed. funds at intervention	—

Treasury Bills and Bonds

One month	5.20	Three year	6.50
Two month	5.37	Four year	6.66
Three month	5.58	Five year	6.76
Six month	5.69	Seven year	7.04
One year	5.88	10 year	7.25
Two year	6.26	30 year	7.55

Feb. 20	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfort	3.80-3.90	3.65-3.80	3.80-3.95	3.90-4.05	3.90-4.10	5.0
Paris	9$\frac{1}{16}$-9⅛	8⅜-8½	8⅜-8½	8⅜-8½	8½-8⅝	8
Zurich	⅞-1⅛	3$\frac{1}{16}$-3$\frac{3}{16}$	—	3¼-3⅜	—	—
Amsterdam	5⅜-5½	5⅜-5½	—	5⅜-5½	—	—
Tokyo	4.03125	4.40625	—	—	—	—
Milan	11½-12	11⅝-11⅞	—	11⅛-11⅝	—	—
Brussels	5.40	7¾-7⅞	—	7¾-7⅞	—	—
Dublin	14-14¼	14½-14¾	14-14¼	13⅞-14⅛	13-13¼	—

LONDON MONEY RATES

Feb. 20	Overnight	7 days notice	Month	Three Months	Six Months	One Year
Interbank	12-10	11⅝-11¼	11$\frac{3}{16}$-11	10⅝-10½	10$\frac{7}{16}$-10¼	10⅜-10$\frac{3}{16}$
Sterling CDs	—	—	11⅛-11	10½-10$\frac{13}{32}$	10¼-10⅛	10$\frac{3}{16}$-10
Local Authority Deposits	11½	11½-11⅜	11¼-11	10½	10¼	10$\frac{3}{16}$-10¼
Local Authority Bonds	—	—	11½	10⅞	10⅞	10⅞
Discount Market Deposits	11-10	11	10⅝	10¼	—	—
Company Deposits	—	11	11¼-11⅛	10⅝	10⅜	10⅜
Finance House Deposits	—	—	10⅞	10⅝	10⅜	10⅜
Treasury Bills (Buy)	—	—	10⅞	10⅝	—	—
Bank Bills (Buy)	—	—	10$\frac{13}{16}$	10⅝	9⅞	—
Fine Trade Bills (Buy)	—	—	11$\frac{3}{16}$	11	10½	—
Dollar CDs	—	—	6.30-6.25	6.35-6.30	6.30-6.25	6.40-6.35
SDR Linked Deposits	—	—	6¼-6	6$\frac{5}{16}$-6$\frac{1}{16}$	6$\frac{5}{16}$-6$\frac{1}{16}$	6⅝-6⅜
ECU Linked Deposits	—	—	7½-7⅜	7½-7⅜	7½-7⅜	7½-7⅜

Treasury Bills (sell); one-month 10¾ per cent; three-months 10½ per cent; Bank Bills (sell); one-month 10¾ per cent; three months 10$\frac{9}{16}$ per cent; Treasury Bills; Average tender rate of discount 10.4392 p.c. ECGD Fixed Finance Scheme IV reference date January 1 to 30 (inclusive): 11.098 per cent. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 11½ per cent from February 1, 1987: Bank Deposit Rates for sums at seven days' notice 4.35-4.375 per cent. Certificates of Tax Deposit (Series 6): Deposit £100,000 and over held under one month 9 per cent; one-three months 9 per cent; three-six months 9¼ per cent; six-nine months 9¼ per cent; nine-12 months 9¼ per cent; Under £100,000 9 per cent from February 20. Deposits held under Series 5 10¾ per cent. Deposits withdrawn for cash 5 per cent.

LONDON RECENT ISSUES

EQUITIES

Issue Price	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price	+ or −	Net Div.	Times Cov'd	Gross Yield	P.E. Ratio
‡‡	F.P.	30/1	80½	65	‡Avesco (Reg) 1p	80½	+2½	[illegible]	[illegible]	[illegible]	[illegible]
‡‡	F.P.	—	63	37	‡Border TV	54	—	[illegible]	[illegible]	[illegible]	[illegible]
125	F.P.	3/4	119½	104	British Airways	109	+1	R6.0	2.4	5.0	9.6
§110	F.P.	—	133	129	Dale Group 10p	126	+3	R4.5	2.6	5.0	10.9
§94	F.P.	6/1	121	107	‡Gaynor Group 10p	121	+1	L2.67	2.8	3.1	16.3
§23	F.P.	5/1	29	24	‡Harmony Leisure 5p	29	—	10.1	12.4	0.5	23.3
§100	F.P.	14/1	121	91	‡Hornby Group 5p	91	−2	R3.19	2.8	4.9	10.3
§128	F.P.	30/1	180	146	Hoskyns Group 5p	180	+11½	[illegible]	[illegible]	[illegible]	[illegible]
§144	F.P.	23/1	162	144½	M.L. Research 5p	162	+1	R3.0	3.4	2.6	15.7
§102	F.P.	—	121	104	‡Mayborn Group 5p	120	−1	R3.2	3.0	3.8	12.5
250	F.P.	—	78	75	Mezzanine Tst. Inc.	77	—	[illegible]	[illegible]	[illegible]	[illegible]
50	F.P.	—	53	50	Do. Capital 50p	50	—	[illegible]	[illegible]	[illegible]	[illegible]
‡‡	F.P.	—	53	52	Multitrust	52	—	[illegible]	[illegible]	[illegible]	[illegible]
§100	F.P.	—	109	101	Paribas French Inv. Tst.	109	+1	[illegible]	[illegible]	[illegible]	[illegible]
§100	F.P.	—	134	120	‡Sanders & Sidney 5p	134	+4	R4.26	2.0	4.5	15.6
—	F.P.	—	106	97	Scot. Inv. Tst. Warrants	100	—	[illegible]	[illegible]	[illegible]	[illegible]
§130	F.P.	27/2	183	148	Viking Packaging 10p	183	—	u3.5	3.0	2.7	17.7

FIXED INTEREST STOCKS

Issue Price £	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price £	+ or −
101.61	£10	19/3	12¼	11½	Mid-Kent Water 8¼% Red Prf. 1997	12	—
£100	£50	15/5	52¼	41¼	Mid-Sussex Water 11% Red Deb 2012-16	52¼	—
£99.237	F.P.	5/3	102¼	100½	Morris Inv. Tst. 11% Deb. 2012	102	—
—	F.P.	—	100¼	100	Nationwide 10[illegible]% Bds. [illegible]	100¼	—
¶¶	F.P.	—	121p	110p	P. & O. 6.6% Cnv. Red. Prf.	121p	+½

"RIGHTS" OFFERS

Issue Price p	Amount Paid up	Latest Renunc. Date	1986/87 High	1986/87 Low	Stock	Closing Price p	+ or −
310	Nil	16/3	78 pm	65 pm	Anglia TV	76 pm	−2
170	Nil	—	43pm	40pm	Burgess Products	41pm	−1
175	Nil	18/3	25 pm	15 pm	‡Cannon St. Invs. 20p	23pm	−1
480	Nil	27/3	93 pm	48 pm	Coalcoon 50p	74pm	−2
137	Nil	27/3	39 pm	14 pm	Wiggins Group	38 pm	+2

Renunciation date usually last day for dealing free of stamp duty. a Annualised dividend. b Figures based on prospectus estimates. d Dividend rate paid or payable on part of capital, cover based on dividend on full capital. g Assumed dividend and yield. h Assumed dividend and yield after scrip issue. F Forecast dividend cover on earnings updated by latest interim statement. H Dividend and Yield based on prospectus or other official estimates for 1987. L Estimated annualised dividend, cover and p/e based on latest annual earnings. R Forecast annualised dividend, cover and p/e ratio based on prospectus or other official estimates. W Pro Forma Figures ι Indicated dividends; cover relates to previous dividend; p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend rate, cover based on previous year's earnings. ¶ Issued by tender. ‖ Offered holders of ordinary shares as a "rights." ‖‖ Introduction. ** Issued by way of capitalisation. § Placing price. §§ Reintroduced. ¶¶ Issued in connection with reorganisation merger or takeover. ▇ Allotment price. ‡ Unlisted securities market. †† Official London listing. ‡‡ Including warrants entitlement.

FINANCIAL TIMES SURVEY

Telford

Set up originally to provide breathing space for the people and industries of the West Midlands conurbations, the new town has switched instead to winning overseas and, in particular, Japanese investment

Aid comes from overseas

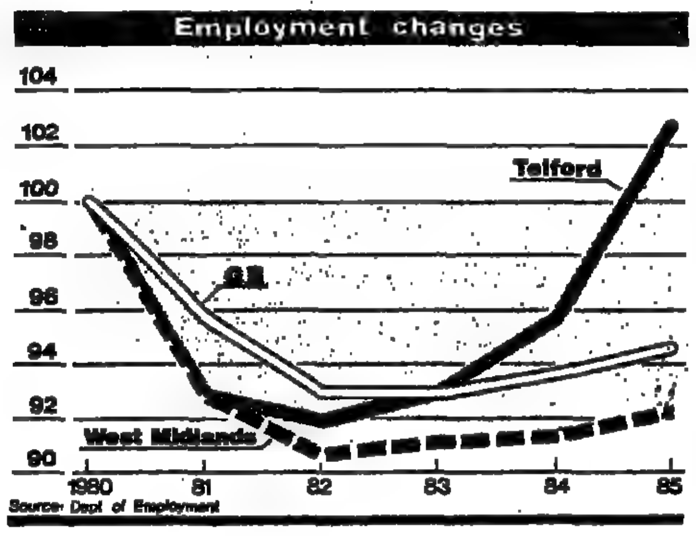
By Anthony Moreton

TWO WEEKS AGO a large sign went up in a field opposite one of the many roundabouts in Telford proclaiming Epson: We're on our way. Another Japanese company had decided to set up a manufacturing operation in the town.

A mile up the road bulldozers were, at the same time, already putting in foundations for an expansion to Ricoh's recently built plant.

These two high-technolgy companies—Epson is to make printers and possibly portable computers, Ricoh turns out copiers—are typical of what is happening in the new town.

When Telford came into existence in 1968 it was part of the foundries and metal-bashing West Midlands, heavily geared towards a part of industry that was about to go into serious decline. In the intervening period the emphasis has been switched to light industry, much of it white-collar industry with a leavening of service jobs and a big infusion of overseas capital.

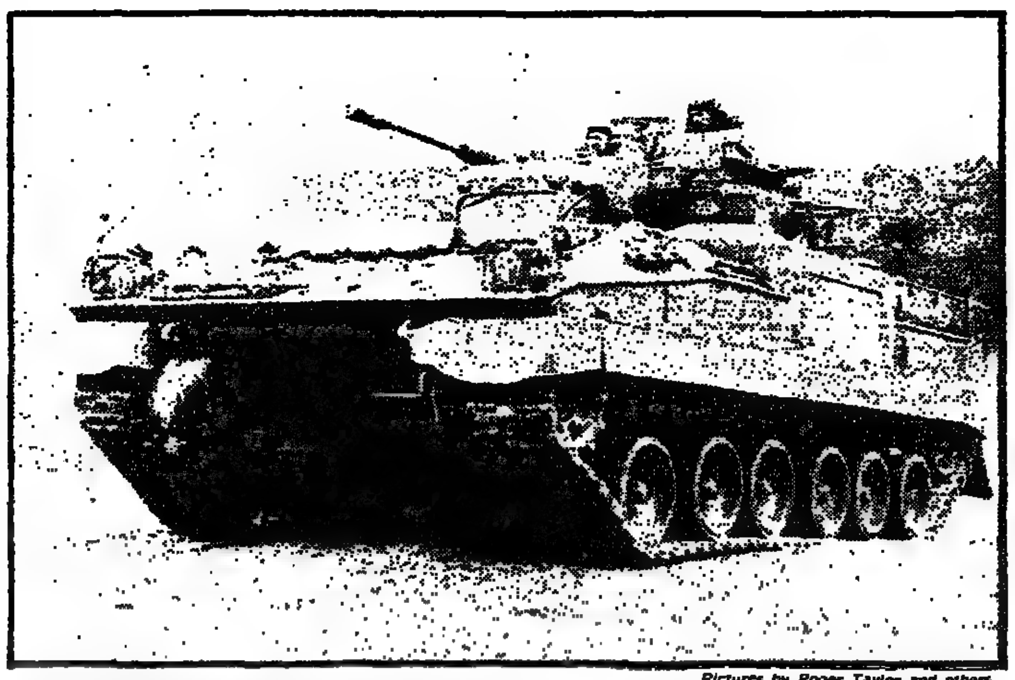


The newcomers, on which the economy is now heavily dependent, are represented by companies such as Tatung, from Taiwan, with personal computers as its main product, Peaudouce, from France, which has just spent £10m on a plant to produce nappies for the UK market, Lindemann, from West Germany, a machine-tool manufacturer, Benecot, a Dutch concern turning out garden furniture and Unimation, from the US, in robotics.

Alongside the town centre the bulldozers are busy on a new large store for Marks and Spencer. The Marks' store will be just around the corner from the modern, all-glass headquarters for the UK side of the Swiss engineering concern Brown Boverei.

Another building reaching the final stages of construction work is the Trustee Savings Bank's national training centre. Windsor Life Assurance is relocating from Windsor. The District Land Registry is to come, complementing the Inland Revenue's PAYE data processing centre, which has already arrived.

These white-collar employers bring good jobs: the PAYE centre has 1,000 and may go to 1,500; Windsor Life starts at 200, Marks and Spencer at 150 and the District Land Registry will bring up to 600 jobs.



Pictures by Roger Taylor and others

Left: Robots, made from UK-sourced parts, are produced at Unimation, part of the US company, Westinghouse Electric Corporation. Above: This Warrior 26-ton mechanised combat vehicle carrying 10 men into battle is made by GKN Defence. The Ministry of Defence has recently ordered 1,048 vehicles.

For a town that has a persistent 19.2 per cent unemployment rate, almost half as much again as the national average, all these arrivals are good news. Without them and the diversification they bring, the jobless total by now would have been higher. But even with them, Telford is hardly creating sufficient work to absorb the numbers going onto the unemployment register.

The town has a young population with a large number coming out of the schools each August. It also has a high degree of long-term unemployment among the over-50s.

In round figures, some 2,000 school-leavers come onto the register each year and 1,000 men reach the age of 65.

According to Mr Chris Mackrell, commercial director, the town is having to run faster each year just to stand still.

"Despite this," he says, "the position is much more encouraging now and certainly much more encouraging than in the rest of the West Midlands. The days when we almost despaired of getting on top of the situation have gone."

"Telford, thanks to the arrival of so many new companies, is the only place in the region where there is real growth. This has enabled us to take a much more relaxed view of affairs."

The centre itself is sparkling new, with the shops surrounded by a sports centre, ice-rink and hotel, all having the gloss of buildings just opened. Further away, in the suburbs, if they can be described as such in a place only created 19 years ago, are the older villages, like Oakengates, Wellington and Ironbridge, where the industrial revolution might be said to have started.

This blend of ultra-new and Victorian old is linked by a road system designed for the cars of the 21st century.

Complementing its industrial initiatives, the town has also set out to capitalise on the growth of the short stay holiday market in the UK. It contains within its borders one of the international heritage sites designated by the United Nations Educational Scientific and Cultural Oranisation (Unesco)—the Ironbridge Gorge, the cradle of the Industrial Revolution. The town's largely covered shopping area has also provided modern shopping facilities which again are helping to make Telford a magnet for shoppers over a wide area.

The despair, according to Mr Mike Morgan, general manager of the new town, came when older-established companies such as GKN Sankey were shedding labour almost by the week. As the recession bit into the West Midlands GKN Sankey's workforce in Telford tumbled from around 7,000 to some 1,800.

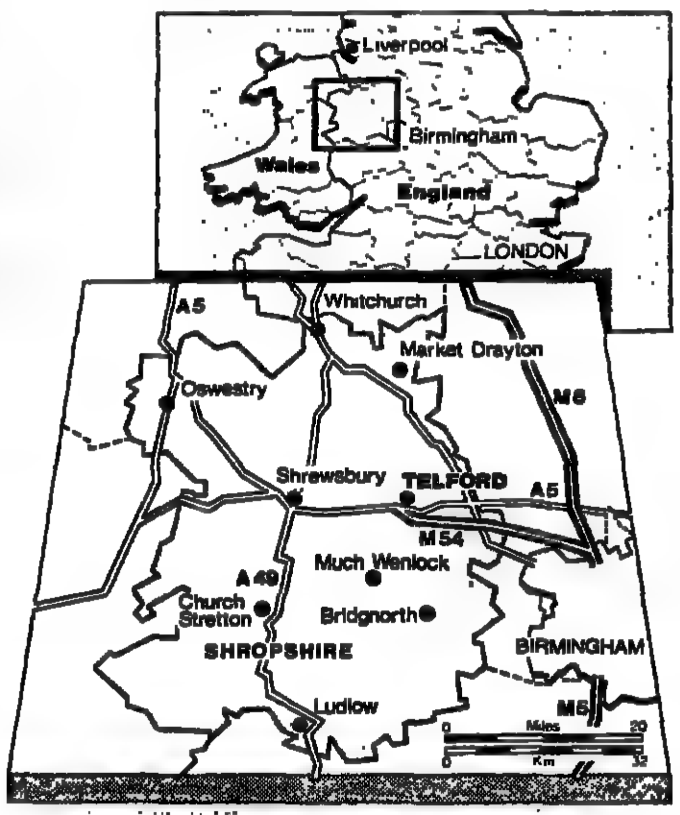
"To have to contend with something like that is traumatic," Mr Morgan states.

Mr Morgan believes that part of the success of Telford lies in the fact that it is no longer highly dependent on a single customer industry—motors. "We have attracted both the products and the services for the Britain of the 1980s and 1990s. This has become our strength."

The change in current economic conditons can be traced, according to Mr Mackrell, over the past three years but Mr Morgan pinpoints the underlying switch in the fortunes of the town further back, to the point in the mid-to-late-1970s when the town was allowed to go out and attract inward investment from a wider market.

Telford was set up to encourage the movement of industry within the West Midlands, largely out of Birmingham but also some of the other older

Continued on Page 2



International connection

Why Japanese plants are moving in

Mr Ichiro Hattori, president of Seiko Epson; Britain the most developed of all the European markets

AT ONE point, as the M54 motorway bisects Telford, it runs past the Ricoh plant on one side of the road and the Tatung factory on the other. Ricoh, from Japan, *stands in a campus site* on its own; but Tatung, from Taiwan, is surrounded by other overseas concerns such as Kuhn Farm Machinery, from France, and Bemico, from Holland.

Nothing could better illustrate the international dimension to industry in the town. Telford has the largest single concentration of Japanese plants in any one urban centre in Britain. Wales may have more in total, but Telford has the most in one place.

Ricoh makes photocopiers, and Maxell casettes and floppy discs. The bulldozers on the Ricoh site point to the expansion that has only recently been confirmed in Tokyo.

In addition, Toshiba and Nikkon have sales and service centres.

These four are about to be joined by Seiko Epson, producing printers and an NEC plant for the production of video recorders and colour television sets.

Nor is this the end: according to Mr Chris Mackrell, commercial director, at least two other concerns are talking about the possibility of moving in.

Japanese interest was summed up by Mr Ichiro Hattori, president of Seiko Epson, when *he said that Britain was the* most developed of all the European markets.

"You also have the most experience. And we like dealing with the British. You have a tradition for engineering and quality that no company in the world can match."

Mr Hattori's enthusiasm for the unmatchable British engineering, an area in which many observers would have thought the Japanese themselves have a strong, if not preeminent, position, *may* perhaps be explained by the fact that he was speaking at the unveiling of his company's plans to set up a factory in the UK. A little poetic licence on such occasions is, perhaps, understandable.

But he was clearly speaking without hyperbole when he said that "the majority of Japanese industry like doing business here." Because it is a theme repeated by others.

Mr Ken Kakurai, managing director of Maxell, commented that the company had arrived in Telford confident about the ability of the workforce to produce to its highest standards. It also believed high-quality materials and components could be obtained *in the West Midlands.*

"When we started we brought in most of our parts because it was very difficult to get precisely what we wanted. But we eventually succeeded in the West Midlands and are now very happy."

Not everything is bought *locally, even now. Maxell finds* just over half its components in the UK, a figure that is rising: that means it still brings in considerable amounts from Japan and could be seriously hit by the recent EEC move against dumping.

Finding the right components from good suppliers at the right time is not a peculiarly British problem, Mr Kakurai says. Japanese producers in Japan do not always immediately find suppliers able to meet their specifications.

"Sometimes it takes a year, even two years, to get acceptable components in Japan so that *if it takes* some time in Britain to get just what we want that is not so very different from the position in Japan."

If the Japanese have problems with components they appear to have few problems about Telford itself. A survey on Japanese direct investment in the UK, undertaken by Economic Development Briefing, of London, showed that more Japanese companies named Telford than any other area when asked if they could recall any British economic development organisation that had impressed them.

Such a *favourable response* for Telford was all the more surprising because the West Midlands as an area did not rate particularly highly. Scotland, *London* and the South East and Wales had the edge.

Japanese investment is, *of* course, by no means the only source of companies *arriving* from overseas. Tatung, from Taiwan, is a good example. It employs just on 1,000 workers, producing television sets and personal computers, more than all the Japanese companies in the town combined.

From Europe there has been a *steady stream of incomers.* Last November Peaudouce, the French manufacturer of nappies, which claims already to have a quarter of the £250m a year disposable nappy market in Britain, unveiled plans to spend £10m on a factory, its first outside France. The plant will create at least 235 jobs and is expected to be in production by the spring.

The factory is a giant 180,000 sq ft and Peaudouce has *acquired another six acres of* land for possible future expansion. Even within the new building it will be able to produce over 500m nappies a year.

Until now Peaudouce has supplied the British market from its home base and Mr Mike Chambers, the UK general manager, said it had chosen Telford partly because of its position on the motorway map and partly because of the ready availability of skilled workers.

A *month before Peaudouce* announced its move another French company decided to take a 91,000 sq ft plant to produce PTFE (polytetrafluoroethylene) for injection mouldings, creating 130 jobs.

Unimation and *MacDermid,* two Americans, occupy nearby sites to one another while among others flying Old Glory are Union Sales, and Martin *Industries. Elsewhere* among the 600 newcomers, not all of them from overseas, of course, are two from Denmark, Merlin Gerin, from France, Bischofaud Klein from West Germany, Trigon packaging, from *New Zealand,* and the British headquarters of the Swiss concern Brown Boverei.

What the overseas companies bring to Telford, and therefore to the British economy as a whole, according to Mr. Hattori, of Seiko Epson, is the willingness "to use the strength of the skills resident in the local markets to promote our products. All *of our overseas* operations are staffed by nationals and managed by nationals. You will find very few Japanese in Epson's international operations."

At Maxell Mr. Kakurai admitted to having just five, including himself, apart from a few on *short-term, largely training,* assignments. This clearly holds great potential for job creation," according *to* Mr. Hattori "Long-term, it is the only way to survive."

Anthony Moreton

A step back in time takes place at the Ironbridge Gorge Museum when the Prince of Wales inaugurates the wrought ironworks, Blists Hill, on March 6. Above is a view of the High Street, Blists Hill, which will have its own *Treasury-approved* token currency. The Prince of Wales will be presented with a mint set of coins. He will also set in motion the steam hammer to bring the ironworks into operation. The equipment came from the Atlas Ironworks of Thomas & Son, Bolton, the last wrought ironworks in the world. The objective at Blists Hill is not simply to preserve plant typi*cal of the trade in its heyday* but to run the works on a regular basis and to produce and sell wrought iron.

Aid from overseas

Continued from Page 1

centres such as West Bromwich and Wolverhampton. Ten years ago the planners called a halt to this policy, believing it was economically harmful to inner cities and Telford was allowed to look further outwards, not only to the rest of the UK but also abroad.

It immediately chose three areas as its primary target—the South East of England, Japan and the US.

The marketing effort in Japan has been successful. Telford has the largest concentration of Japanese manufacturing and service companies of any single *town in Britain and the signs* are that more could be on the way.

"We appointed a brilliant agent, Miss Mia Teno who has been the lynchpin. *And* we discovered that Japanese companies want to control the whole enviroment, not just inside the plant but outside, in the grounds, too. We could offer them this facility because we have a large number of campus sites that they could develop to their own satisfaction.

"Two of these Japanese incomers have taken sites of over 50 acres each and we still have a big site of 90 acres avail*able. Where else could you get* such a facility."

Success in Japan has not been emulated in the US, though, which Mr Mackrell attributes to the fact of "sheer size" competition from other British development agencies and inadequate depth of penetration.

As a centre for investment Telford has benefited greatly from the opening of the M54 motorway, designation of the enterprise zone and the conferring of intermediate-area status in 1984 under the government's regional aid programme.

"The motorway has provided us with a fast and efficient link with every other part of the UK," according to Mr Ken Kakurai, head of Maxell. "It makes distribution so easy." His words are echoed by Mr Neil Jordan, director of MacDermid, offshoot of a US concern.

The enterprise zone took root immediately. It is 80 per cent full and is expected to be full by the *end of the year.* Some 1.5m sq ft of space has been occupied and another 275,000 sq ft is under construction, with 3,700 jobs having been created by it.

The development corporation has to wind up its affairs by 1991 under plans announced last year by the goverment so that Telford will have to live, after that, on *self-*generated expansion. Already, there has been a change of emphasis pointing the way the town will have to go.

The private investor will have a much bigger role to play since the development corporation will no longer be there to act as catalyst. Signs that the institutions are becoming interested in Telford are emerging with some speculative office developments taking place outside the enterprise zone

In the recession, Telford, according to Mr Morgan, refused to chase the market down by making its land cheaper. The result was that it held its quality image. If we capitalise on that sensibly in the next few years, he says, the town will be well set up for the day, *four years away, when it* has to stand on its own feet without our aid.

Housing

Private sector market expands

THE RANGE of housing offered throughout Shropshire, from the quaint country cottage to the expensive executive home, is now being mirrored in Telford. But that was far from being the case in the new town's early days, when the initial brief was to provide overspill for Birmingham and the West Midlands as a whole. Only recently have developers felt sufficiently confident to come in and build homes, up to and including the most exclusive.

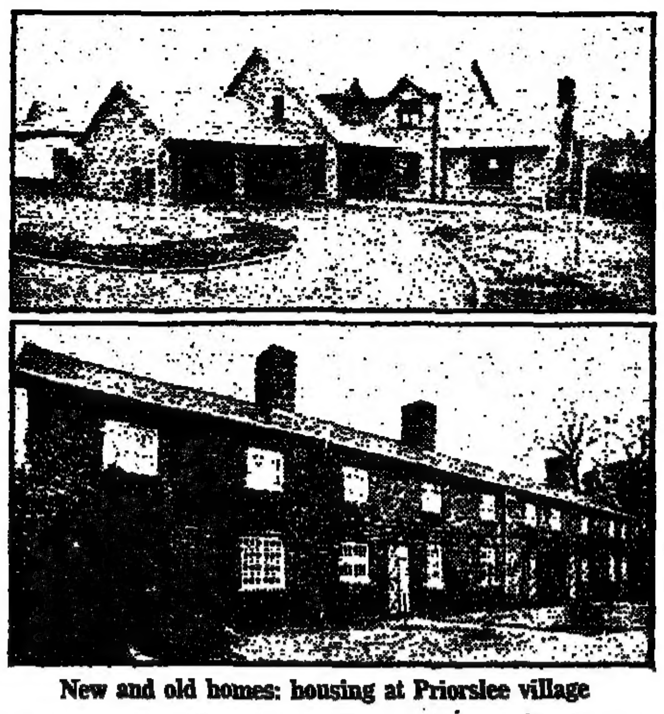
The first contract, let in 1967 primarily for public housing was intended to get the ball rolling. Homes were built on what had been the Shropshire coal fields, land which required extensive reclamation. Land that was able to be serviced was limited, while the market for private housing was weak, with no significant levels of local employment or wealth.

The corporation, which set an initial target of 48 per cent public to 52 per cent private housing, believed that a build up of the rented sector would encourage the development of other services such as schools and retailing, in turn persuading the private sector that Telford was an attractive proposition.

"It was a battle to get the private sector interested," reflects Mr Tony Drake, Telford Development Corporation's chief private housing officer. "We had to try to stimulate an element of buoyancy in an otherwise depressed area."

Land prices, even more depressed than those around Wolverhampton, reflected the limited demand. The corporation tried to build confidence by improving the environment and community facilities. Even with confidence instilled and the environment improved, land prices lagged behind. Only a limited number of private developers were prepared to take the initial gamble, and only on a certain number of homes.

The first significant breach in this credibility barrier came with the opening of the first phase of the town centre. It was further dismantled with the announcement of the M54, and further still with the road's completion in 1984. But only in the past two or three years have salary and employment levels been created to support the executive housing market, with the decision by the Inland Revenue to set up its regional headquarters in the town, and the attraction of investment by Japanese companies.



New and old homes: housing at Priorslee village

With greater confidence have come improvements to overall levels of design and layout. "Builders are now prepared to invest more money, whereas in a less buoyant market there is less money available for frills and niceties," says Mr Drake.

The corporation, as both landowner and planning authority has been in a position to persuade private developers to create interest and variety. Some 4,500 private homes have already been built on 120 sites sold by the TDC, but it has refused to sell land where builders were not prepared to experiment with design and layout. Developers, though they have sometimes agreed reluctantly, have usually accepted that the experiment has worked, some incorporating the new designs into their range.

The TDC has also sought to escape from housing vogues, such as Tudorisation, and achieve variety by selling areas in stages, rather than in their entirety.

The housing market has at the same time broadened, especially so at the professional end, while house buyers now see Telford less as a risky proposition, more as a town where their asset is likely to appreciate.

But the corporation does not necessarily see the much improved standards of housing as an implied criticism of its earlier efforts. "It is always easy to say, with hindsight, that what is now being built is better than was put up in the 1960s. We were under financial constraints, while policy and designs have changed. The early housing has generally stood the test of time," says Mr Drake.

The number of people now wanting to buy their homes is indicative of the basic soundness of the initial stock, he says. Of the 12,000 homes built for rent in Telford, 3,000 are now sold, 2,300 occupiers have put in offers, while a further 2,000 have made inquiries about buying. The price of rented housing varies with location, size and the amount of discount allowed, but for someone with a full tenant's discount, houses are going for as little as £5,000.

The corporation, which has built, in the main, for families, has also included flats and single person housing in its programme. It has, in addition, catered for the elderly, people who had come to the town in the 1960s or those moving into Telford to be near their families. There is little public sector housing building now, with some 20 specialist homes a year being built.

However, there is still land for further private developments. A further 1,210 acres is zoned for housing, 861 acres of it already serviced with the remainder due to be serviced before the demise of the corporation in 1991. By 1991, the private housing stock is expected to increase by at least 3,000, while there is likely to be continued growth well into the next decade if present market conditions are sustained.

The greatest demand, at present, is for three and four bedroomed houses, costing between £30,000 and £50,000, while you could expect to pay at least £18,500 for a starter home, and anything up to £140,000 for four/five bedrooms, executive style.

Increasingly popular are the older refurbished and modernised homes, particularly in the Ironbridge neighbourhood, though because so much of the area was derelict, large country houses are few and far between. One example is a building that originally housed a spa, and, when taken over by the corporation, a doss house which has been converted jointly by the TDC and Tarmac into three Georgian homes, each worth over £70,000.

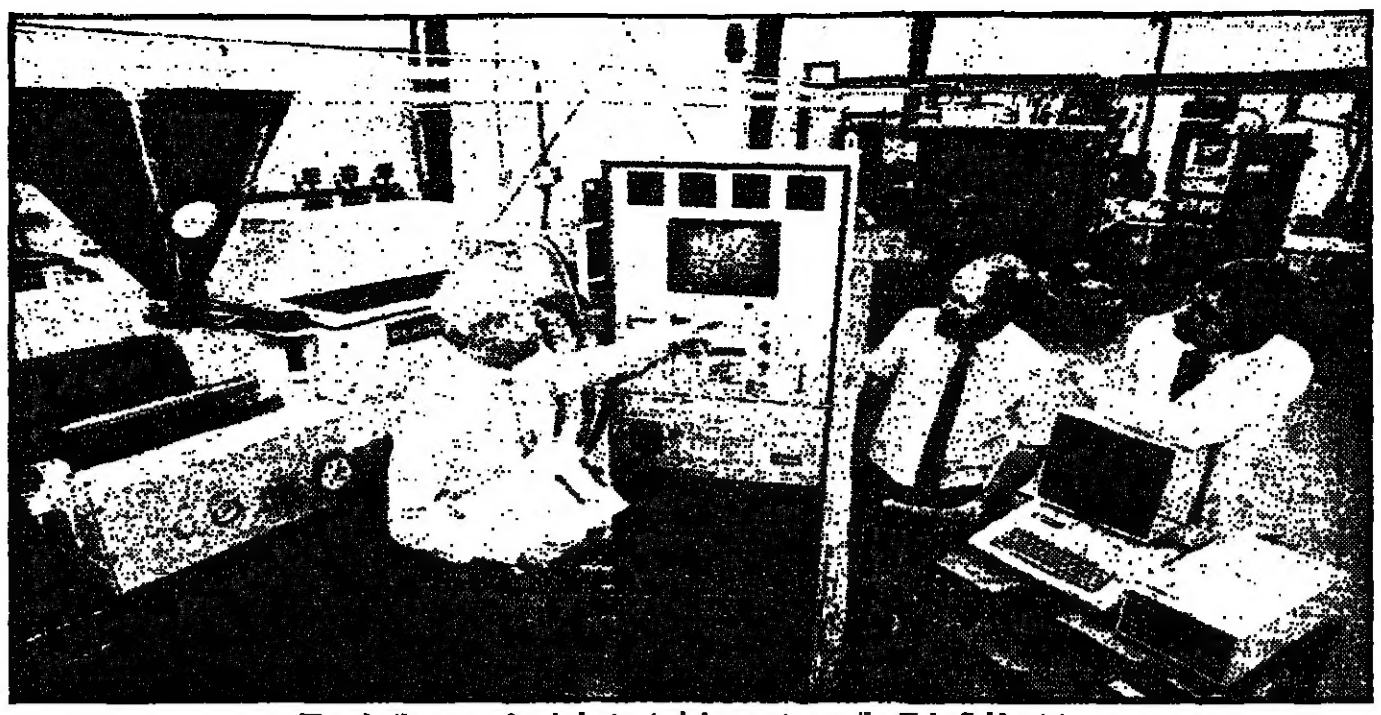
The eventual balance is likely to tip heavily towards the private sector, with possibly as little as 25 per cent of housing in Telford remaining public. The burning question is: what happens to the housing that does remain in the TDC's ownership in 1991?

There seem to be three main options. The most unlikely is that it will pass into the Commission for New Towns' portfolio. Sale to housing associations is another possibility. But the most likely is that it will be vested in the local authority.

The Governments view is that these houses would be an appreciating asset, and that the local authority would also derive income from rents, as well as rates. The local authority, which is still in negotiation with the TDC over the terms of the housing transfer, seems likely to push for some form of compensation for the addition to the stock in its custodianship.

"We, as a responsible body, have to look at the alternatives," says Mr Drake. "As part of our run down duties, we have to ensure that the town can grow on its own, carry on under its own steam, and that the work we have done is cared for."

Alastair Guild



The plastic processing industry training centre on the Halesfield estate

Enterprise zones

Hedge-hoppers discouraged

LIKE MOST of the 17 enterprise zones designated in the second wave in 1984, Telford's comprises a patchwork quilt. It covers five separate patches of land, none interlinked.

This was contrary to the 1981 first wave, introduced on the crest of the Conservative success at the general election of 1979 and intended to show that business, once stripped of bureaucratic constraints, would boom.

The first wave, places like Swansea, Corby, the Isle of Dogs in London's East End, and Clydebank, were large, around 600-700 acres each — and almost universally one area.

Telford, like so much of the second wave, is much smaller at 275 acres and disparate. It is, though, highly successful.

Some 80 per cent of the land has been taken and Mr. Elwyn Jones, the Welsh-born deputy commercial director of Telford Development Corporation, confidently predicts it will be full by the end of the year.

Such success has eluded a number of the older zones even though identical inducements— a 10-year rates holiday, 100 per cent capital allowences on new plant, fewer planning controls — are available everywhere.

"From the outset we have been determined to maximise the benefits for the town as a whole," he says, conscious of the fact that although the development corporation acts as manager the zone is actually the baby of the local authority.

The local authority, Wrekin Council, was at first sceptical of the concept. A visit to even more socialist Corby, whose zone has been outstandingly successful, proved the clinching factor.

In its three-year life Telford's enterprise zone has been blessed with a number of important entrants. The most important, in jobs terms, is Tatung, the Taiwanese electronics concern which employs just over 1,000. Across the way, Ricoh, Japanese high-technology company, has taken the whole of area three.

Mr. Jones attributes Telford's success to a number of factors. First, though not necessarily the most important, has been the restriction on retailing within the zone.

Telford took a hard line on retailing from the start, prohibiting stores from occupying buildings of more than 4,000 sq. ft. Mr. Jones is scornful of the approach of places like Swansea, which have opened their doors to retailers and is now heavily dominated by supermarkets, hypermarkets and a range of DIY outlets. Such a policy, he believes, only shifts activity from the city centre, to the detriment of the latter. Telford's zone is clearly a place of industry, most of it manufacturing.

Secondly, it has cracked down on hedge-hoppers, those concerns which have moved a mile or two just to take advantage of the financial incentives. "It has been no part of our policy to denude other parts of Telford or surrounding Shropshire to prove the zone can work," he says.

"If an existing local company wanted to come in it had to prove it needed a bigger factory and that it would employ more people. Some Telford Businesses have met this criterion but most companies have come from outside. Some, like Tatung and Ricoh, have come a very long way indeed."

The result is that overseas names represent a high proportion of the 50 or so concerns that occupy the zone. The foreign flags that fly outside factory premises are not unique to the zone: the town itself has a high proportion of overseas inhabitants but the foreign content within the zone has helped to bolster the general strategy the development corporation has followed assiduously since it was allowed to look abroad for inward investment eight years ago.

Having five separate plots of land designated as one zone has produced one important economic benefit in allowing specialisation to take place. Area one within the zone, that nearest to the town's shopping centre, and the only area that is not largely in the corporation's ownership, is a service centre. It now contains a hotel, owned by the Queen's Moat group, a national training centre for the Trustee Savings Bank is being built and Windsor Life, an insurance company, is to move in.

Area two has been given over to high-tech units while area three has Ricoh. Area four has some big newcomers, such as Unimation, Lucas and Clifford Williams and only area five has older works on it.

The point about the zone, according to Mr Jones, is not just that it has filled so quickly, but also that it has helped focus attention on Telford as a whole. "This is the really gratifying thing about it."

Anthony Moreton

Retailing

Shopping hierarchy avoids out-of-town expansion

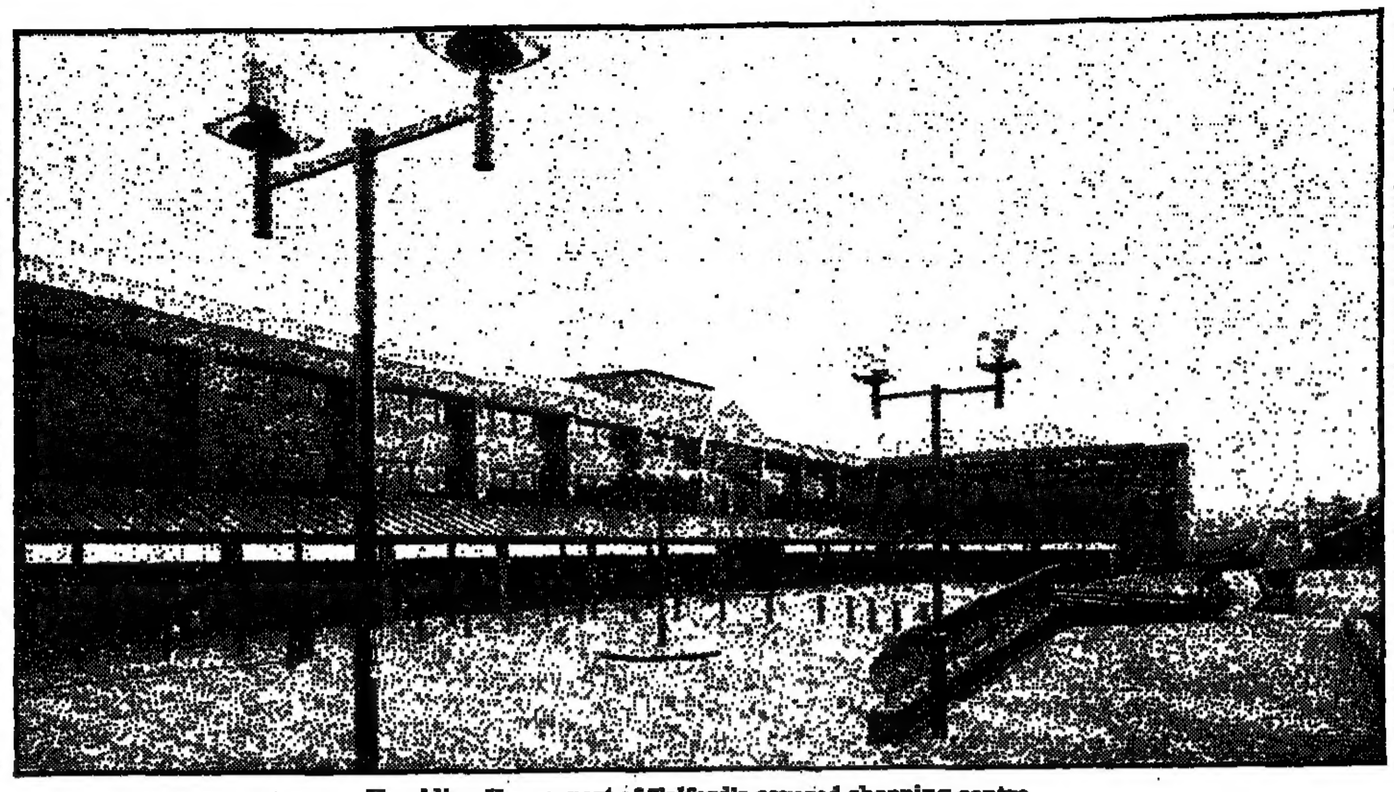
A FORTNIGHTLY shopping trip to Telford, laid on by the Aberystwyth bus operator, is just one indication of the growing importance of retailing in the new town. The Welsh coast is over two hours away, but within a 30 minute drive there is a population of over one million, giving the Telford Centre a significance far beyond its immediate catchment area of 125,000.

The development of the largely covered centre, like the rest of the town, has been incremental. The first phase, opened in 1973, included a Carrefour hypermarket with 55,000 sq ft of retail floor space, one of Sainsbury's largest UK foodstores at 25,000 sq ft, together with 22 unit shops including Boots and W H Smith.

Phase II opened in 1982, with a 50,000 sq ft Debenhams department store. National chains like C&A and Mothercare were also drawn in, while the fashion trading element was considerably strengthened with the addition of such outlets as Chelsea Girl, Dorothy Perkins and Pages.

The final stage, programmed to open this October, includes a 90,000 sq ft Marks & Spencer store and eight unit shops, marketing of which will start soon. The M&S unit, which is being heralded as "the state of the art" in retailing, will include a strong element of food sales, consolidating the facilities provided by Carrefour and Sainsburys and the range of specialist shopping. These units, not undercover, are now being let.

The phased development of the Telford Centre has enabled district and local shopping in the town to adjust, with five years separating the completion of each stage. When Phase I was completed, Telford's population stood at 70,000. It has since grown by over 50 per cent. "We don't see M&S and the other retailers likely to be attracted to Phase III as being in competition with other shopping in Telford, but as strengthening the town's sub-regional role," says Mr Christopher Mackrell, TDC's commercial director.



Hazeldine House, part of Telford's covered shopping centre

The shopping hierarchy in Telford forms a pyramid. Below the main centre are district shopping centres, mainly for weekly convenience shopping, many of them improved and refurbished by the TDC, with access roads and car parking provided. At the base of the pyramid are local shopping centres, small neighbourhood developments with newsagents, food stores and a few specialist shops.

"A balance has been sought throughout the town, and we have worked closely with the local planning authority in agreeing strategies and development control policies aimed at supporting and strengthening this hierarchy," says Mr Mackrell.

Nor have there been any objections from neighbouring authorities to indicate that Telford might be detracting from other retail centres in the region, such as Wolverhampton and Shrewsbury.

However, the TDC has set itself against any large scale retail development outside designated areas such as the town centre, both on planning grounds and because they would run counter to the established shopping hierarchy. But the question of out-of-town shopping has not yet arisen, says Mr Mackrell. To the east, Telford is surrounded by green belt, while to the west, commercial pressures are not generally so great.

"Neither has the TDC allowed any retail development in its part of the enterprise zone, in contrast to EZs in other parts of the country. They don't provide the scale of jobs provided by office or manufacturing employment," says Mr Mackrell.

There is still room for further retail expansion, both within the Telford Centre and in areas immediately adjoining. The corporation is awaiting outline planning approval from the Secretary of State for the Environment for a retail warehouse development of 140,000 sq ft on a site immediately to the west of the town centre. Though there are as yet no detailed plans for the site, the corporation says there has already been considerable interest from retailers wanting to take space in any development or acquire sites.

Further expansion of the existing town centre could be accommodated by the conversion of surface area into multi-storey car parking for instance. There is also scope for retailers to provide additional floor space within their units.

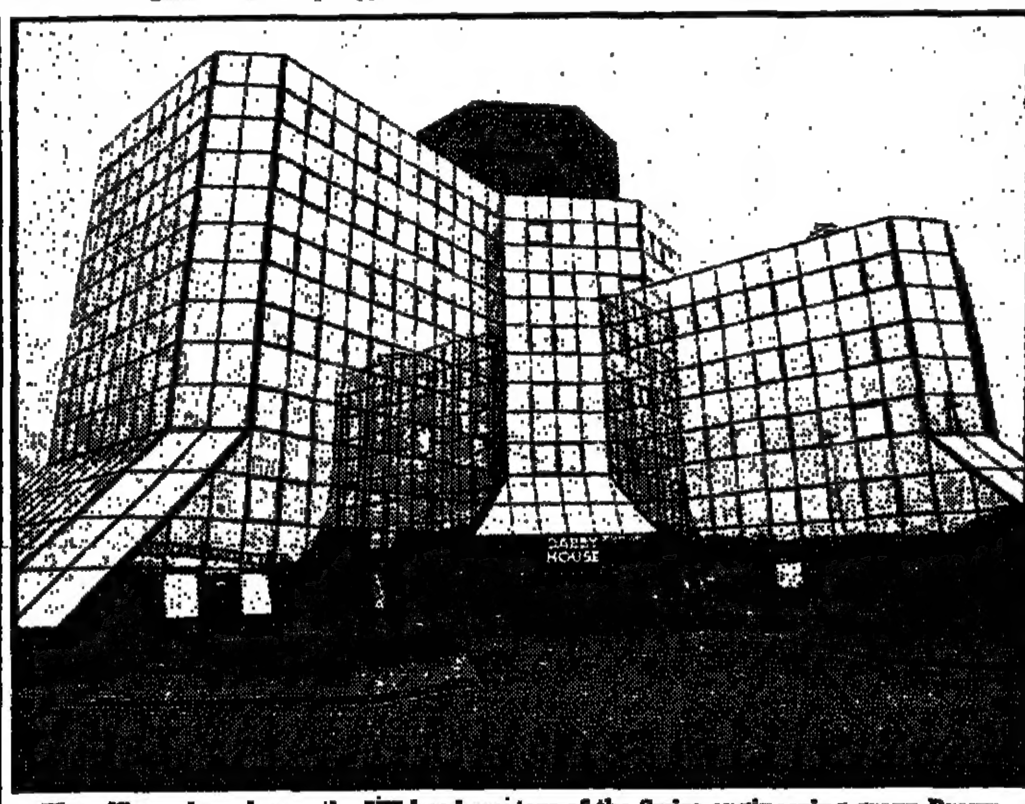
The development corporation, which has let and managed the centre so far, also sees room for cosmetic improvements to Phase I, while major improvements could follow the completion of Phase III. The final phase is being developed in partnership with M&S.

Shops in district and local centres are being sold to tenants, though local centres, built by the corporation as part of substantial housing schemes, will remain in its ownership until the future of the estates themselves has been resolved.

The Telford Centre will itself be sold "as an investment" towards the end of the corporation's life, in 1991, as part of its asset disposal programme but not until after Phase III is complete and is seen to be trading successfully.

Mr Mackrell believes that the attraction of shopping in Telford will endure beyond the corporation's life. "Because it has been developed in a green field context, we have been able to cater for the requirements of modern retail outlets. The range of shopping now being provided indicates that we have been able to supply that flexibility."

Alastair Guild



The offices above house the UK headquarters of the Swiss engineering group Brown Boveri

Offices

A flourishing sector

EMERGING FROM Telford station, you cannot miss the bright blue letters BBC staring down from the top of a seven storey office block. This, the UK headquarters of the international Swiss engineering group with a staff of more than 200 is a foretaste of a changing Telford skyline and a flourishing office sector.

The Inland Revenue was the first major office employer to move to the new town. Already employing over 1,000 in various locations within and around the town centre, it is expected to take on a further 200 staff within the next four years. The IR's National Development Centre for data processing and the computerisation of the tax system is based in the town, across a few sites, but work starts in May on the construction of its main new development centre of 130,000 sq ft.

The development corporation is having discussions, meantime, with the Property Services Agency, acting for the Land Registry which already employs some 100 people in temporary accommodation and hopes to start construction of a new district land registry in about three years time. Staffing is scheduled to build up to 400 by the early 1990s, and ultimately to 600.

Both the Inland Revenue and the Land Registry offer training programmes for staff they may need to recruit, while Telford College of Arts and Technology also provides training for clerical and secretarial staff.

But Windsor Insurance, which announced within the last few weeks the relocation of its headquarters from Windsor is bringing with it a high proportion of its staff. It is the first financial services company to decide to move its entire operations here. Construction will start towards the end of this year on a 50,000 sq ft building, within the Telford Enterprise Zone, with room on the site for expansion.

In addition to buildings for identified occupiers, there is a growth in speculative office development. A 13,000 sq ft scheme last year by Wilson (UK) of Birmingham of self-contained office units is one example. These were let quickly to organisations such as Barclays Bank and Toshiba. Next month, Wilson will start construction of another speculative block of 35,000 sq ft in the enterprise zone.

"There is considerable interest from speculative developers in the remaining areas scheduled for offices in the business park sector of the zone," says Mr Christopher Mackrell, Telford Development Corporation's commercial director. The financial inducements available in the zone have encouraged a steady, if not accelerating rate of office development over the past three years, while the region, as a whole, has suffered from the recession.

"But what is also encouraging is the level of inquiries from developers interested in undertaking schemes within the town centre, but outside the enterprise zone," says Mr Mackrell.

Many of the most central sites are fast disappearing, but a number of areas have been identified adjacent to the town centre, so allowing for substantial growth in office employment in coming years. "We have 80 acres in reserve, though some of this will be developed for high-tech office/industrial units, rather than traditional office developments."

With queues already forming for the 6,000 sq ft of vacant office space in the town, it is expected that Telford will continue to be an attractive proposition for speculative developers. Rising office rents are also indicative of a buoyant office sector. They have doubled over the past five years, now standing at £6/sq ft for small suites and £5-£5.50/sq ft for larger floor space.

Traditionally, this part of Shropshire has been serviced from Shrewsbury and the West Midlands conurbation. But with an already substantial growth in the professional service sector in the town, for example solicitors, accountants and insurance brokers, it is hoped to make Telford self-sufficient, and eventually a net exporter of such services beyond its immediate boundary.

Alastair Guild

A technician working in the laboratory at MacDermid Chemicals, Stafford Park

PROFILE/MacDERMID

In the right sort of niche

THE RECEPTION hall at MacDermid's Telford plant is dominated by a bright red tartan. The uninitiated might, to their cost, jump to the conclusion that this was the MacDermid tartan.

Archibald MacDermid, born in West Kilbride in the early years of the century before emigrating to America as a young man, in fact first chose the tartan of his bride, a MacGregor, to fly as the company's emblem but when he found even that colour scheme less than what he wanted he "adopted" a nearby pattern as his tartan.

Such practicality and attention to detail has turned the company he started into a leading concern within the speciality-chemicals world, a company that now has a turnover of $86m a year (approximately £57m), and production centres in the UK and Spain, as well as in the US.

The links with Scotland remain and are close, but they now exist through customers rather than family relations.

MacDermid began life in Waterbury, Connecticut, supplying chemicals for cleaning metals. Westbury was, as it still is, the centre of the brass industry in the US; and the embryonic company produced chemical processes for cleaning metal plating, such as car bumpers, for the equally embryonic motor industry.

Metal cleaning technologies remain important, but today MacDermid has moved into higher-technology applications. One of its main customers is the printed-circuit-board industry, strongly entrenched in Scotland's Silicon glen.

The need to supply Scotland was very much in the mind of the company when it was looking for a UK site in the early 1970s. Its philosophy then was to service its customers from nearby sources of supply, and, almost simultaneously with the search for a site in the UK, it was looking for another in Spain.

Mr Neil Jordan, a director of the UK company, says that the company drew circles of about 50-miles radius around Manchester, Birmingham and London, then looked within them for potential bases.

The Birmingham and Manchester circles overlapped, and Telford emerged within the overlap. "Telford had two advantages going for it," says Mr Jordan. "At that time there was talk of building the M45 motorway from the existing M6, and so we knew communications would be first rate.

"Secondly, our main customers were either up in Scotland, or down in the south of England. Telford was more or less equidistant between them."

More recently, many MacDermid customers have emerged in the West Midlands, two of them in Telford itself, so that the supply-chain in places has become even shorter.

After 15 years, expansion is now in the air and the company has just negotiated a two-acre site. Mr Jordon will not say what this will do for turnover, "since it will give our competitors a pretty good idea of what we are doing", but he does admit that the European operation as a whole is just under a quarter of the parent's total sales, which puts it at around $20m (£13m).

MacDermid can undertake this expansion, not just because of its financial strength but also on the back of its technical abilities. It has developed speciality chemicals for metal and plastic surfaces, to the point where, according to Mr. Jordan, "it is a market leader for the supply of chemicals and imaging-processes to the printed-circuit-board industry.

Not all the company's processes are manufactured at Telford, though. MacDermid itself has over 600 products, of which Telford produces about a quarter. It also takes almost all its R & D from Waterbury. There is some R & D input from Telford and from Barcelona.

In the last few years the company has moved into supplying products for the micro-electronics industry, which essentially means the silicon chip. This business is small in the UK but relatively big (relative to the US and Japan, for instance) in Europe and it is considered a growth area.

A more recent boom point is polymer-thick film for multi-layer technology. Printed circuitry, each bonded to its neighbour with a chemical. MacDermid makes the chemical.

Speciality chemicals are very much a niche business. MacDermid does not attempt to complete with the bulk business of ICI, Hoechst or Bayer. Indeed, it sells its own speciality chemicals to ICI. By comparison with these giants, it is a minnow in turnover terms. But the sea is full of minnows, as well as the occasional whale, and everyone seems to do very nicely from co-existence.

Anthony Moreton

PROFILE/MAGNA

Entrepreneurs with a sweet tooth

SIXTEEN YEARS ago Robert and Beryl Foskett were trundling around the streets and lanes of Shropshire and across the border into North Wales, in a Walls Whippy van selling soft ices. Today, their travelling is limited to driving by car into their factory in Telford where they have become one of the largest speciality confectionery manufacturers in Britain, perhaps even in Europe.

The Fosketts have built a business that the height of the season employs 450 people and is expected to have a turnover this year of over £7m. "We are entrepreneurs," says Mrs Foskett proudly. "And one of the things we want to continue in the company is our entrepreneurial style."

Speciality confectionery to the Fosketts means Easter eggs and the hollow-moulded Christmas chocolate novelties that children of all ages find in their stockings.

The big household names in this business are Tobler, Rowntree, Cadbury and Terry; Magna Specialist Confectionery is not in this name-dropping league because it has concentrated on one main line and has not been seduced into chocolate bars or any of the other items made by the major groups.

"We have found a niche in the market," says Mr Foskett, "that has proved to be highly profitable. We are seasonal manufacturers and have found a part of the market that the big boys simply do not want to cater for."

The chances are that in the next few weeks a large proportion of the Easter-egg-buying public will actually buy one of the Fosketts' eggs, even if unknowingly. Half Magna's output ends either in the High Street multiples or is sold under the label of other manufacturers. This private label business is good trade and has grown with the growth of the supermarkets and stores.

Mr Foskett, whose rotund form indicates a liking for the product, is careful not to name names. "They wouldn't like it at all." But he tells of one supermarket chain that had 16 outlets when the Fosketts first started supplying them and now has 350. "As their business has grown so has ours."

The business was not always as big and as profitable as now. Although the two gave up the ice-cream business in the early 1970s, by which time they had 16 vans on the road and the Walls agency for their native county. Magna's real growth has come in the past five or six years.

Until the early 1980s the Fosketts had largely produced eggs made from chocolate compounds. "It was the move into milk chocolate that realised our potential," says Mrs Foskett, whose tall, slim figure looks as though she never touches the product. "This brought us a lot of trade from the private label customers and now these are a most important part of our clientele."

The move out of ice-cream was hastened by the growing attraction of freeze drinks—the sachets of flavoured liquor which are bought for, and frozen in, home freezers. Mr Foskett takes up the story: "I could see these were eating into our ice-cream business and we decided to start to sell them. It coincided with a feeling that ice-cream was far too seasonal. What did we do during the winter?"

Although Magna has since moved on to speciality chocolates, freeze drinks still account for a quarter of turnover and the company claims to have the brand leader in Munch Bunch.

The importance of freeze drinks within the company is that it gives Magna another season.

Easter eggs run from October to Easter and Christmas novelties from August to December. Freeze drinks fills the gap between April and August.

Magna is not only fortunate in not having all its eggs in one basket, so to speak, but also in avoiding the bane of other seasonal producers—how to finance stocks that only shift once a year.

The eggs leave the new Telford factory weekly to the clients. The company moved into the plant two years ago and it now thinking of doubling in size which would mean another 150 workers.

Even so, there is a tendency for financing to be bunched heavily during two or three distinct periods of the year and Mr Foskett would dearly love to see another line to even out the seasonal fluctuations in financing.

So too, no doubt, would their bank manager, whose initial backing of £800 set them on their way 14 years ago when they branched into freeze drinks. They still have their original projections, handwritten on one sheet of paper in bold letters, suitably framed for everyone to see.

Both the Fosketts and the company have reached the point where they have grown to the point of needing more specialist financial and other professional advice. This most clearly surfaces in a so far unresolved debate over whether the company should continue as a private entity or seek a quote on the unlisted securities market.

The planned expansion on the adjoining site will cost at least £500,000. This could be met partly out of profits, which reached £280,000 in 1985, the last full year for which figures are available. Mrs Foskett hopes Telford Development Corporation will help, "in the same way it has helped the Japanese and other overseas concerns." If it does, the company might not need to, or simply might not, think about the USM. Mr Foskett remains unconvinced of this argument.

Nevertheless, there is a need to finance a small—about 8 per cent of turnover—but growing export business, especially to Italy, West Germany, Spain, Denmark, Holland and Southern Ireland. Hollow Easter eggs are very British, and very much admired.

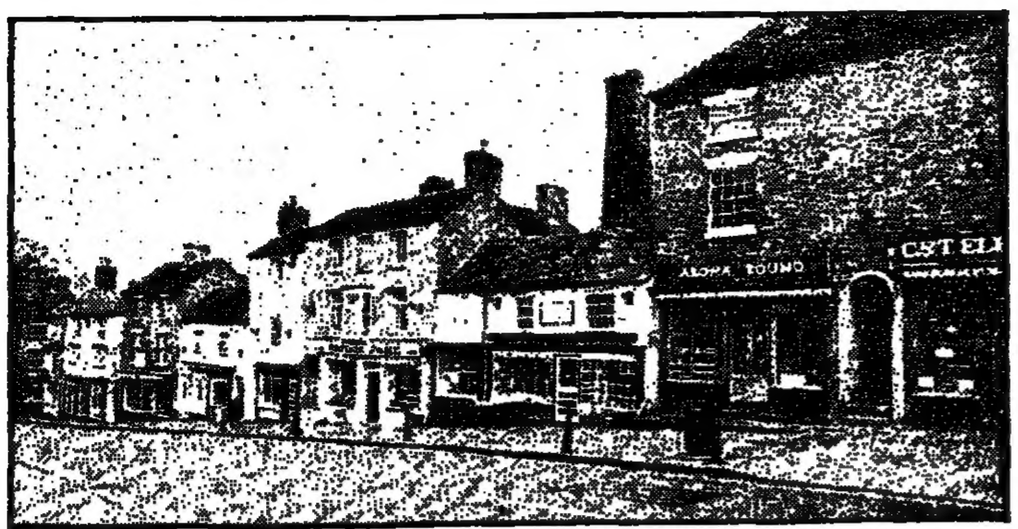
And the question that almost everyone asks is answered by Mrs Foskett, who says: "Not really. I see enough eggs at work to satisfy me without wanting to eat them at any time."

Anthony Moreton

Robert and Beryl Foskett, owners of Magna, the speciality confectionery business

Tourism

The short-break market is the main target



Ironbridge on the river Severn is famous for its bridge across the gorge which has been designated an "international heritage site" by Unesco.

THE PYRAMIDS of Egypt, the Grand Canyon, St Kilda, Fountains Abbey in Yorkshire and Shropshire's Ironbridge Gorge may at first appear to have little in common. Nevertheless, as "international heritage sites" they are unrivalled. The gorge, a cradle of the industrial revolution, and the county's premier tourist attraction was judged as such by the UN Educational, Scientific and Cultural Organ.

It is just one of the attractions drawing in increasing numbers of visitors to Shropshire, over 1m last year spending some £35m directly and employing 6,000. The knock on benefits for the county's economy are thought to be considerable, with tourism also playing its part in keeping rural services viable.

The county council and district authorities are intensifying their co-operative efforts to build on this base. The county, which moved into promotion 18 months ago, now has a budget of £20,000 for projecting it as a destination. It has produced a colour brochure for large scale distribution through tourist information centres, is attending travel trade shows in the UK and Europe, and recently brought in 30 travel journalists jointly with British Rail, the tourist board and other local authorities to give Shropshire's attractions a wider airing.

The county is less than one hour's drive from the West Midlands conurbation, just over an hour from Merseyside and Manchester and less than three hours from London. It is this short break market which the county sees as offering the greatest potential for immediate growth. A film, A Bridge with the Past, made by the British Tourist Authority is also being used to woo the overseas visitor. Last month it was shown at a travel fair in Utrecht in Holland, where it received an encouraging response.

A Bridge with the Past, one of the themes of Shropshire's campaign plays on the importance of the Ironbridge Gorge, which last year had one ¼m visitors. As well as the iron bridge itself, the world's first, it boasts a number of other attractions. The museum of iron in Coalbrookdale tells the story of Abraham Derby and the uses of iron that followed.

The tiles that surround Victorian fireplaces were first made, and are again being made in the area's tile works, while at Blists Hill, a Victorian village and industrial community has been recreated. A new blast furnace will be opened later this year by Prince Charles.

The second single most important attraction is the Severn Valley Railway, one of the longest private railways in the UK, with 12 miles of track running from Bridgenorth, down the valley to Kidderminster. Last year it attracted over 200,000 paying passengers. As well as ordinary trips, it can be hired for private functions and conferences.

Weston Park, the home of Lord Bradford, to the east of Telford, is another popular destination, with over 100,000 visitors. As well as the house itself, built in 1671, there are parklands, designed by Capability Brown, a butterfly farm, childrens playground, and an annual balloon rally.

Shropshire's rural past is recreated at the Acton Scott Working Farming Museum, near Church Stretton in the centre of the county. Owned and run by the county council, it is based on the working life of a Shropshire farm at the turn of the century, before the petrol engine.

The farm's 20 acres are plouged using shire horses, while its cows, sheep, poultry and pigs are of breeds not often seen in today's countryside. Farm produce and rural crafts from the farm are sold to visitors, last year numbering 50,000, including many school parties.

The land where England borders Wales was not always one of rural tranquility, of course. Shropshire, a base for raids against the neighbouring Celts, was itself not immune from return harassment. This past is reflected in the string of border fortifications, some of them now just across the border, including castles at Chirk, Powes and Montgomery and Ludlow, perhaps the most dramatic.

For the second theme of its current promotion, the county council chose "the best of town and country." Shrewsbury, for example, chosen by the Normans as a defensive site, with a castle built on a loop in the River Severn, later grew into a substantial Tudor settlement, and this period is reflected in the range of architecture from that period still preserved. Close to the county town is what was once one of the Romans most important UK settlements.

Shropshire also offers a topographical variety, from rolling rural countryside to dramatic hill country in the south. The bold Wrekin hill is difficult to miss on a visit to Telford, with the Long Mynd uplands lying in the centre of the county.

Those with an interest in local tourism believe that the potential of this range of attractions has not yet been fully realised. Hotels are also awakening to the possible growth in business. The privately run 60-bed Prince Rupert, which once served as the HQ for his Royalist forces during the English Civil War, has undergone a programme of improvements.

The Park House, near Telford, is a conversion of two neo Georgian buildings by a national hotel chain, to create a 30-bedroom hotel, while the 100-bedroom Telford Moat House, in the town's enterprise zone, has been built largely with motorway access in mind.

Alastair Guild

Profile/Maxell

Mr Ken Kakurai: "British companies can reach our desired standards."

A taste for British homeliness

At nine o'clock in the morning Mr Ken Kakurai looks as though he has been at work for hours. He bounds quickly into the windowless room and thanks one for coming at this hour because he has so many other appointments that day.

His English is all-but faultless and were it not for one small detail he might even be taken for one of the 200 employees in the Maxell plant at Wellington, an old village that has been absorbed into the modern place that is Telford. Whereas all the workers are wearing the company uniform—a sort of white track-suit trousers with a matching white blouson top, as they would if they were back in the Osaka headquarters—Mr Kurkurai just has the blouson over the blue-striped trousers of his two-piece suit.

In the five years he has been in this country, Mr Kakurai has, unlike many of his compatriots, become very anglicised. For his first eight months in Wellington, he stayed in the two-star Charlton Arms, where the ambiance is British homeliness rather than business chic. There, he joined Rotary, became a supporter of the local soccer team, Telford United, and joined eagerly in other local activities.

Maxell is part of the Hitachi group and the Telford plant produces video cassette tapes and floppy discs. It chose the Shropshire town in preference to sites in Scotland, South Wales and the North East, and ahead of others in West Germany, Belgium and Holland.

Mr Kakurai has no regrets. "We came to Telford because of the suitability of the workforce, the high-quality materials and components that can be had in the region, the good communications available with the rest of the UK as a result of the M54 motorway and because of the good relations we expected to find with the local community." Mr Kakurai's rotarianism might be said to have done a lot to foster those good relations.

If he pays tribute to the quality of the components available he is not blinded to shortcomings. He had been warned by other Japanese executives in the UK that this could be a problem area and he freely admits that British standards are not always as high as those in Japan.

"Japanese companies work to Japanese industrial standards. These are higher, more exacting than British Industrial Standards. There is a difference between the two.

"But this is the home of industrialism and there is no question that British companies can reach our desired standards. We just show them what we want and before long we have got it."

He gives an example. "We want a very small screw to fix the casette case. Each case has six screws which are fitted, by automated machinery from the inside. We are bringing those screws in at the moment but we have been talking to a large number of suppliers, telling them exactly what we want. We have been talking to the Department of Trade and Industry, which has put us in touch with others, and we have been talking to trade organisations.

"I know we shall get what we want in time from Britain. It's just a matter of searching for the right supplier."

He offers another example. Maxell wanted a particular sort of small spring and Mr Kakurai had been talking to a company in the West Midlands that made pens. The chairman was intrigued by what he had heard, went back and produced some moulds that might produce the desired quality of spring, found they did and won an order not only from Maxell but subsequently from other Japanese companies, too.

If it takes time to get the supply relationship right in Britain it is not always plain sailing in Japan, which might surprise some British businessmen who have been led to believe in the supposed invincibility of Japanese suppliers. It can take a year, sometimes two, to achieve the right balance there.

The result of the encouragement of British suppliers is that local content in the plant has grown from an initial 10 to 15 per cent to over 50 per cent and Mr Kakurai expects it to go even higher.

He is pleased. He likes things British, is proud that his boss, Mr Atsushi Nagai, president of Hitachi Maxell, has translated a short biography of Thomas Telford, the bridge builder and the man after whom the new town was named, into Japanese.

It is difficult to believe that a busy international businessman like Mr Uagai would have the time to undertake such an exacting work. Perhaps one of his minions did it for him. But whoever did it the result is a contribution to Anglo-Japanese relations.

Anthony Moreton